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Treasurer/ Tax Collector

Annual Report - FY 92-93

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Mary I. Callanan
Treasurer
City and County of San Francisco



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ANNUAL REPORT OF THE TREASURER-TAX COLLECTOR

City And County Of San Francisco

As of June 30, 1993
for
Fiscal Year 1992-1993

SYNOPSIS

The Office of Treasurer of San Francisco is an elective office which has been in existence since 1850. In fact, during the period from 1850 to 1856 there were two Treasurers - one for the City and one for the County, since prior to 1856 San Francisco County embraced nearly all of San Mateo County. Following the Consolidation Act of 1856, San Francisco became a combined City and County. We are the only combined City and County in the State of California. The Treasurer is basically the banker and investment officer for the citizens of San Francisco. In July of 1979 a Charter amendment added the office and duties of Tax Collector to the responsibilities of the Treasurer. The following report, dealing specifically with the fiscal year ended June 30, 1993, contains comparative statistics and information covering the past five years of investment activities and tax Collection revenues.

In managing the investment functions and day-to-day operations of a cash management program, the Treasurer is responsible for an overall portfolio which is, at the present time, well in excess of \$1.7 billion. In administering this portfolio the basic objectives, in order of priority, are

1. Preservation of capital
2. Availability of funds
3. Yield (favorable return on investment without undue compromise of the first two objectives)

We are guided in our choice of investments by the California State Government Code which allows for a fairly wide range of investment alternatives such as:

- Time Deposits in banks and savings and loan associations
- Negotiable Certificates of Deposits
- Treasury Bills, Notes, and Bonds
- Federal Agencies issues
- Bankers Acceptances and Commercial Paper

Strictly excluded from the allowable investments are real estate and common stock.

Each month the entire portfolio is "marked to market". This report and other details of performance activity and results are submitted to the Mayor and the Board of Supervisors. Return on investment is among the highest in the State and the portfolio reflects the highest quality of investment alternatives. We take pride in that over the past five years, we earned \$532 million with full liquidity and safety of all funds.

The portfolio includes the proceeds of numerous General Obligation and Revenue Bond issues. The Treasurer assisted in the sale of \$105,045,000 General Obligation Bonds. Earnings and expenditures on all bond issues must be closely monitored due to arbitrage regulations contained in the 1986 Federal Tax Reform Act and its subsequent amendments.

In managing the cash flow of the City and County the Treasurer works closely with all departments to ensure that all funds due are received and deposited as quickly as possible. In order to accomplish this the Treasurer has negotiated contracts with various banks for such items as lockbox and credit card services. The Treasurer's office disburses cash for approximately 2.1 million checks (warrants) issued by the Controller, amounting to over \$3.7 billion each year. It should be noted that the Treasurer's office does not issue checks (warrants), nor have any control over the budget approvals or expenditures. We make sure that cash is available to honor checks (warrants) issued to cover approved expenditures. In addition, we receive, verify and pay all matured general obligation bonds and coupons which amounted to \$ 9.2 million in 1992-93, as well as book entry bond redemption and interest which was wired to the Depository Trust Company in the amount of \$ 51.0 million.

The tax collection responsibility of the Treasurer includes the collection of Property Taxes, numerous Licenses and Permits, Business Taxes, Investigations, and Delinquent Accounts due to other City departments. Annual revenue collections have increased from \$ 869 million to \$ 1.1 billion over the past five years. Substantial detail on the tax collection activities is provided in the body of this report.

In summary, the Treasurer collects, protects and maximizes return on all funds belonging to the citizens of the City and County of San Francisco.

ORGANIZATION AND BUDGET

Very briefly, the organization appears as follows:

TREASURER

Chief Assistant Treasurer	Tax Administrator
Treasury Division	Deputy Tax Administrator
Cashier	Administration
	Cashier
	Business Tax
	Property Tax
Chief Investment Officer	Licenses and Permits
Investments	Delinquent Revenue
Cash Management	Investigations
Bond & Coupon Redemption	Legal

The Treasurer-Tax Collection Department had budgeted expenditures of \$11,353,952 for the FY 1992-93, with a total of 160 positions. An Administration Section provides centralized support services to the programs and activities of the Treasurer-Tax Collection Department. Goals and achievements of the various Sections are detailed in the following pages of this report.



Treasury Division

TREASURY DIVISION

The Treasury Division's main responsibility is to account for receipts of all funds deposited by City Departments, redeem Controller's checks (warrants) and disburse funds for other legal obligations.

The Treasury Division also accepts various assets such as securities, deposits, bail bonds and miscellaneous assets from departments and holds them in a special custody safe. A special computer program has been established to record all necessary information on these items as well as regular written contact with the various departments involved concerning current activity and status of the assets.

The Controller's Internal Audits Section routinely examines the activities of the Treasurer's office including quarterly verification of cash on hand. In addition, an outside major accounting firm audits our activities in connection with the publication of the Controller's Annual Financial Statements.

The Treasurer also works with the Controller, Legal Counsel, financial Advisors and other departments in connection with the issuance of various bond issues. During FY 1992-93 the following bonds were issued:

General Obligation Bonds

\$15,500,000	Public Safety Improvement Projects, 1989 - Series 1993A
\$65,000,000	Public Safety Improvement Projects - Series 1993 B
\$ 8,135,000	Golden Gate Park Improvements, 1992 - Series 1993C
\$16,410,000	Fire Department Facilities Project - Series 1993 D

All of the above bonds were fully registered in the name of Cede & Co. as nominee of the Depository Trust Company and, therefore, available to the ultimate purchasers only under the book entry system.

Additional responsibilities include monitoring absent heir deposits and payments pursuant to State Probate Code 11850; processing and reconciling street improvement deposits and payments authorized under the 1934 Street Improvement Ordinance; and performing Trustee duties in connection with deferred payment settlement trust funds resulting from large claims against the City.

TREASURER'S CASHIER SECTION:

This section is responsible for the:

- Receipt of all City and County monies and checks either through direct bank deposits, lockbox operations or Treasurer's receiving window
- Payment of all Controller checks (warrants) through our Clearing House Bank and Cashier windows
- Reconciliation of the above receipts and disbursements with total cash on a daily basis
- Daily and monthly reconciliation of Treasurer checking accounts
- Daily input and detailed reconciliation to FAMIS (Financial Accounting and Management Information System) reports

All checks received through the Treasurer's Receiving window are encoded and microfilmed before they are deposited in the bank. Internal control is achieved by division of duties between receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks, and the accountants.

The primary objective of the Cashier Section is to process and account for the receipt of collections, departmental deposits and disbursements made through the Cashier by the close of the same business day. The Cashier Section accomplished this objective during the fiscal year.

In 1992-93, 2,079,000 checks (warrants) were processed - a decline of 11.5% over last year, while total disbursement dollars increased by 4%.

Total receipts amounted to \$3.7 billion while disbursements totaled \$3.67 billion resulting in a June 30, 1993 cash and equity balance of \$1,789,697,298.

In an effort to revise and streamline the collections, deposits, and warrant reconciliation processes so that these can be more effective and efficient, extensive efforts and resources have been invested in automation. Consequently, several milestone events occurred in the recent history of the Cashier Section and they are listed and described below.

<u>Date</u>	<u>Event</u>	<u>Benefit/Impact</u>
November 1980	Arrival of the NCR Remittance Processing System	Enables cashiers to encode checks for direct remittance to the banks. This process provides earlier investment of funds for higher interest earnings and reduction in bank costs.
September 1982	Expansion of the NCR Remittance System	Allows cashiers to encode and process redeemed and mutilated checks (warrants). This process creates a computer tape of encashed checks (warrants) whose data are entered directly into the Warrant Reconciliation. This eliminates the necessity of parceling out the work to the Controller's ISD personnel.
1990	Installation of a replacement NCR Remittance Processing System	Replaces obsolete equipment with a faster and more efficient PC/LAN based system that permits cashiers to produce diskettes from which data can be transmitted electronically to our main frame data bases. This speeds up the processing of checks (warrants) and remittances and eliminates
		the need to create computer tapes for the IBM mainframe.
1992	Enhancements to NCR Remittance Processing	Replaces OCR scanners and journal to enhance accuracy and speed of printers and modifies software to enhance collection process.

INVESTMENT SECTION

The goal of the Investment Section is to administer and control the investment of all monies in the Treasurer's custody that are not required for payment of current obligations. Its purpose is to maximize interest income while preserving the liquidity and safety of the principal. Its objective is to maintain all surplus funds in investments that can be easily monitored and liquidated.

The Investment Section has consistently demonstrated prudent portfolio management with excellent results. The portfolio performance for FY 1992-93 is listed below:

Portfolio Performance:

Total interest received	\$ 102,164,657
Total net earnings	\$ 99,750,412
Average daily portfolio balance	\$ 1,589,402,680
<u>Earned Interest Yield</u>	<u>6.276%</u>
Fiscal year-end portfolio balance	\$ 1,765,668,181
MARKET VALUE (as of 6/30/93)	\$ 1,826,842,440
PRINCIPAL COST	\$ 1,765,674,466
TOTAL APPRECIATION	\$ 61,167,974
*YIELD	<u>10.188%</u>

* appreciation is included in formula to determine yield.

Comparison Yields

Average 90 day treasury bills	3.03%
City of Los Angeles	3.41%
Los Angeles County	3.856%
State Local Agency Fund	4.707%

Many of the Bond Funds managed by the Investment Section are subject to the Tax Reform Act of 1986 which strictly limits arbitrage profits that can be enjoyed by the City and County of San Francisco.

Financial Service Subscriptions:

The Investment Section subscribes to the following computerized financial services:

- MoneyMax
- Telerate Matrix System
- Dow Jones Capital Markets
- Technical Data
- Money Market Observer
- Ramirez Capital
- Thompson Financial
- various institutional data banks

In addition, direct wire lines are maintained by investment houses (primary government dealers) which enable the Chief Investment Officer to maximize interest income and earned interest yield as reflected in the schedule of Portfolio Statistics. The installation of a personal computer (PC) along with an appropriate modem allows the investment staff to retrieve daily bank balances and supporting reports. Further, the PC is able to produce trends and results and assist in future investment decisions. The Telerate Matrix provides instantaneous live electronic monitoring of the domestic fixed income markets.

The implementation of direct bank deposits during the early 1970's, whereby departments deposit their receipts directly to local branches of Bank of America which is the City and County's concentration bank, continues to accelerate cash flow into the Treasury. Lockbox procedures are in effect for processing invoices, receipts, and Municipal Court parking and traffic citation receipts. Tax collection receipts and other city department receipts are received for processing through the NCR Remittance Processing System for direct bank remittance. These procedures provide early deposit of receipts plus reduced bank charges.

The Investment Staff continues to monitor and invest all funds that flow through the remittance processing system by electronic access. All funds are transferred by Fed-wire to the concentration accounts for Controller disbursement or Treasurer investment.

Besides the aforementioned procedures, credit cards are accepted for payment of traffic fines, towing and storage fees, and misdemeanor bails. This process has resulted in the reduction of bad checks, acceleration of payments and immediate availability of funds for investments. In addition to the investment of those funds mentioned above, the Investment Section also invests funds received from the Transit Impact Fee.

Cash Manager:

The Cash Manager assists the Chief Investment Officer. The Cash Manager's primary responsibilities include:

- Ensuring compliance with Charter mandate that all revenues deposited with City departments are received and receipted in the Treasurer's Office by the next business day.
- Analyzing cash flow throughout the City and developing a cash flow system.
- Initiating and modifying cash flow procedures.
- Establishing and maintaining banking relationships.
- Advising and making recommendations to City and County department personnel regarding cash management procedures and policies.
- Assisting the Chief Investment Officer in administering cash management and investment policies.
- Managing the bond and coupon redemption program.
- Co-administering the bond arbitrage rebate program with the Controller to ensure accurate records are maintained, proper procedures are followed, and timely payments are made to the Federal Government.

Extended application of these procedures to other programs is an ongoing process and continues to increase revenues and provide improved taxpayer assistance while containing costs.

In FY 1992-93, the bond and coupon section was eliminated and the Cash Manager took over the function of redeeming general obligation bonds and coupons and registered bonds and bond interest. Significant events described below, led to the deletion of this section, which received, verified, and paid all matured bonds and coupons (bond interest) either locally or through the Depository Trust Company.

<u>Date</u>	<u>Event</u>
March 19, 1991	Fiscal agent Citibank in New York resigned as co-paying agent. The City and County of San Francisco Treasurer Bond & Coupon Section became the sole paying agent for the redemption of all bearer bonds and coupons maturities until April 1, 1992.
April 1, 1992	Bank of America's Corporate Trust Department became the paying, transfer, and registration agent for all general obligation bearer bonds issued prior to 1986.
April 1, 1992	Bond and Coupon Supervisor retired from City service, leaving the position vacant for the entire FY 92-93.

Through perseverance and dedication to quality control, the Cash Manager, with the assistance of the paying and transfer agent, achieved all the objectives of the section. During FY 1992-93, bonds and coupons amounting to \$9,179,689 were redeemed. All matured bonds and coupons presented for redemption by person or mail were promptly and satisfactorily paid. In 1992-93 there were 25 transactions involving new registrations and re-registrations of general obligation bonds. Book entry bond redemption and interest payments amounting to \$51,026,064 were wired to the Depository Trust Company.

The South Africa Divestment Ordinance, effective March 10, 1986 and amended in 1990, had been anticipated by the Treasurer and Investment Section staff and consequently, there were no investments in the portfolio which are in conflict with the City's divestment policy. Subsequent to the enactment of the ordinance, and after its amendment in 1990, all financial institutions were sent appropriate Affidavits and/or Declarations to comply with the ordinance provisions. All institutions with City deposits had returned signed Affidavits/Declarations. Additionally, all financial transactions were reviewed to be sure that we are in compliance with the ordinance.

All financial institutions were advised of the City's MacBride Principles' Ordinance which pertains to fair employment practices in Northern Ireland. It is the policy of the Treasurer to support these principles and encourage financial institutions to assist those companies which abide by the principles.

PORTFOLIO STATISTICS

	1988-1989	1989-1990	1990-1991	1991-1992	1992-93
ALL FUNDS					
Interest Received	\$ 94,373,209	\$ 106,948,770	\$ 106,576,074	\$ 117,128,173	\$ 102,164,657
Total Interest Earned	\$ 98,015,429	\$ 109,214,370	\$ 112,559,562	\$ 112,397,920	\$ 99,750,412
Average Daily Balance	\$1,132,935,855	\$1,282,031,366	\$1,373,109,890	\$1,442,817,318	\$1,589,402,680
Earned Interest Yield	8.651%	8.519%	8.197%	7.769%	6.276%
Weighted Ave. Yield - End of Period	8.760%	8.312%	7.594%	6.140%	5.507%
POOLED FUNDS					
Interest Received	\$ 69,116,349	\$ 77,934,785	\$ 78,051,292	\$ 69,712,226	\$ 63,351,155
Total Interest Earned	\$ 72,022,524	\$ 80,308,152	\$ 79,980,284	\$ 66,858,499	\$ 63,702,410
Average Daily Balance	\$ 849,251,869	\$ 959,098,142	\$ 975,822,186	\$ 911,288,190	\$ 892,808,190
Earned Interest Yield	8.481%	8.373%	8.196%	8.092%	7.135%
Weighted Ave. Yield - End of Period	8.550%	8.230%	7.894%	6.932%	6.128%



Tax Collection Division

TAX COLLECTION DIVISION

The office of the Tax Collector receives and deposits all monies for taxes, licenses and other fees due the City and County of San Francisco under the direction of the Treasurer, in accordance with the provisions of the Charter and the City's Administrative Code. It also provides the collection of delinquent accounts for other City Departments. In order to be effective, this work requires coordination with other agencies of the City and County, the Board of Supervisors and the State of California, as well as other tax administrators and policy bodies.

The office aims to provide an equitable and efficient collection of property taxes, business taxes, licenses, and miscellaneous fees in accordance with State Law and City ordinances, and at the same time, maximize investment return by expeditiously processing and depositing receipts.

The Tax Collector supervises eight operating sections: Administration, Cashier, Property Tax (Real Estate), Business Taxes and Audits, Delinquent Revenue Collection, Investigation, Legal, and License. The sections have the following basic goals:

- to provide centralized administrative services for the department and to provide support of divisional program activities.
- to provide centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.
- to maintain a post-audit program to determine the accuracy of taxpayer reports and to levy additional taxes, if the audit indicates an underpayment.
- to administer and collect the Business Tax, the Payroll Expense Tax, Parking Tax, Hotel Tax, Utility Tax, Stadium Admission Tax, and Transient Occupancy Tax.
- to provide centralized collection and resolution of delinquent accounts in excess of 90 days for all City and County of San Francisco departments except those under the jurisdiction of the Public Service Enterprises.
- to collect fees for Licenses and Permits which are required by Municipal Code and to collect the Dog License fees.

The functions of each section are described in more detail in the body of this report. The narratives also include individual program goal statements directed toward the achievement of timely and quality public service. Together they express the main objective of the Tax Collector's Office: to maximize the City and County of San Francisco's revenues in order to finance services and functions.

Highlights For FY 92-93

The Tax Collector's Office was heavily impacted by the loss of twenty-one positions in a very short period of time. Seven were lost as a result of the early retirement program offered to employees after the voters passed Proposition "A". An additional fourteen were lost at the very end of FY 92-93, as part of budget reductions that resulted from a city-wide budget deficit. The full impact of the loss will be felt in FY 93-94. However, the Tax Collector's Office began to make restructuring plans as FY 92-93 drew to a close, in anticipation of the difficulties and possible revenue shortfalls that would result from staff shortages, with an increase in program scope and/or workload, particularly following business tax ordinance changes and new revenue measures.

Highlights of Achievements in Automation

<u>Date</u>	<u>Event</u>	<u>Benefit/Impact</u>
1987	Wang VS6 mini-computer installed for Legal and Administration sections.	Formerly manual financial operations, including budget preparation, automated for the first time.
1988	Wang mini-computer upgraded to VS5000 and expanded to serve users in Business Tax, Property Tax, License, and Delinquent Revenue sections.	Staff no longer competing for use of a limited number of IBM terminals located throughout the office; desktop workstations allow for much faster access to tax files, resulting in greatly improved public service and higher volume of accounts processed.
1989	A second Wang VS5000 mini-computer was installed in our new Business Tax office at 25 Van Ness.	Full automation services provided for second location with no increase in M.I.S. staffing.

<u>Date</u>	<u>Event</u>	<u>Benefit/Impact</u>
1990	An Interactive Voice Response (IVR) was installed for the use of property taxpayers.	Greatly improved ability to handle high volume of calls during peak periods; callers helped immediately instead of getting a busy signal for long periods.
	A new generation of NCR remittance processor replaced the original, ten-year-old equipment.	Obsolete equipment replaced with faster and more efficient processor, resulting in much quicker check deposits, both daily and during peak periods.
1991	Ten PC-based cashiering workstations are installed at all Cashier windows and connected in a local area network (LAN).	Faster payments and shorter lines for all taxpayers based on high-speed automated cashiering operation.
1992	Business Tax System (BTS) implemented after a five-year development cycle.	First comprehensive on-line database of business tax accounts with all associated financial and business history available for research and reporting.
	Began plans to migrate Wang users to PC-based local area networks (LAN).	Industry-standard tools, faster access to applications and ability to share information among applications and among end users from workstation to workstation.

ADMINISTRATION SECTION

Staff continued to provide centralized administrative services to the Department in the areas of budget and finance, data processing and telecommunications, payroll/personnel, equipment and facilities maintenance, and general office administration.

Management Information Services

Staff in the Tax Collector's Office continue to utilize two Wang VS 5000 mini-computers for automation and telecommunication services. However, the M.I.S. staff is positioning the office for a migration to local area networks with industry-standard hardware and software. The access to more powerful computing tools will enhance the productivity of the staff, as well as reduce both their learning curve and our retraining costs, since most new staff members are already familiar with PC-based word processing and spreadsheet products.

Administration

Administrative staff continued throughout the year to handle all administrative services, including budget and financial activities, payroll and personnel services, equipment and facilities maintenance, operations analysis, and technical assistance to all staff. The primary goals of the Administration section continue to be:

- to provide data processing and administrative services to all staff in a comprehensive and efficient manner as a means of increasing their productivity and improving service to the public.
- to provide revenue-generating staff with automated tools that will enable them to spend less time on clerical and document-processing functions and more time on revenue-generating activities.
- to follow a value-added strategy for the division by utilizing data processing and telecommunications systems that follow industry standards and will provide a flexible base for future growth and development.

CASHIER SECTION

The Cashier Section receives and accounts for all payments of taxes, licenses, and other revenues, whether taken over the counter in cash or by check, or received through the mail. The section maintains internal control of all payments by a system of numeric identification data, along with batch data, and microfilms the checks connected with each payment.

The Cashier Section also opens, sorts, and processes all mail received by the Tax Collector's Office. All checks with proper supporting documents are processed immediately. Checks without proper supporting documents, or which need verification, will undergo standard check control processing. This procedure ensures that all payments are correctly identified and recorded.

During FY 92-93, the Cashier section continued to improve and expand on its system of a Local Area Network (LAN) of eleven workstations. Monthly and Year-to-date statistical reports have been added to the system along with the automatic generation of daily statistical and management reports. These functions greatly contributed to the prompt and efficient deposit of receipts. The processing of all of these items was performed by a staff of nine permanent employees. Additional temporary employees, both cashiers and clerks, were hired during the peak periods of Property Tax and other major collections.

In the coming fiscal year, the section will continue plans to connect all workstations to the IBM mainframe through a telecommunications link, in addition to the cashiering workstations and the remittance processing LAN's. This configuration will enable all aspects of the Tax Collector's cash management system to have direct access to the files on the IBM mainframe.

The total revenue processed by the Cashier's staff increased by \$70,270,175, or 7%, for a total of \$1,087,103,820. The total number of processed items was 566,546. This is an increase of 6% in the number of items processed as compared to 536,794 in FY 91-92. A record amount of revenue -- \$ 64,566,767.18 -- was processed by the Cashier's staff on December 10, 1992.

Retail Sales and Local Transportation Tax

The State of California, acting since 1958 as the agent of the City and County of San Francisco, collects the San Francisco Uniform Sales and Use Tax and returns revenues minus costs to the City and County. The State collected an additional \$20,921,778 for deposit in the Local Transportation Special Fund. Together, these items represented a total of \$105,001,531 in additional tax revenue for the City and County of San Francisco.

Note: The Cashier's figures do not match those of the Property Tax and Business Tax sections. The Cashier's figures represent the amounts originally collected, before adjustments, whereas the other two sections' figures, as per the notes on their respective statistical tables, represent the amounts as adjusted by transfers, duplicates, and overpayments.

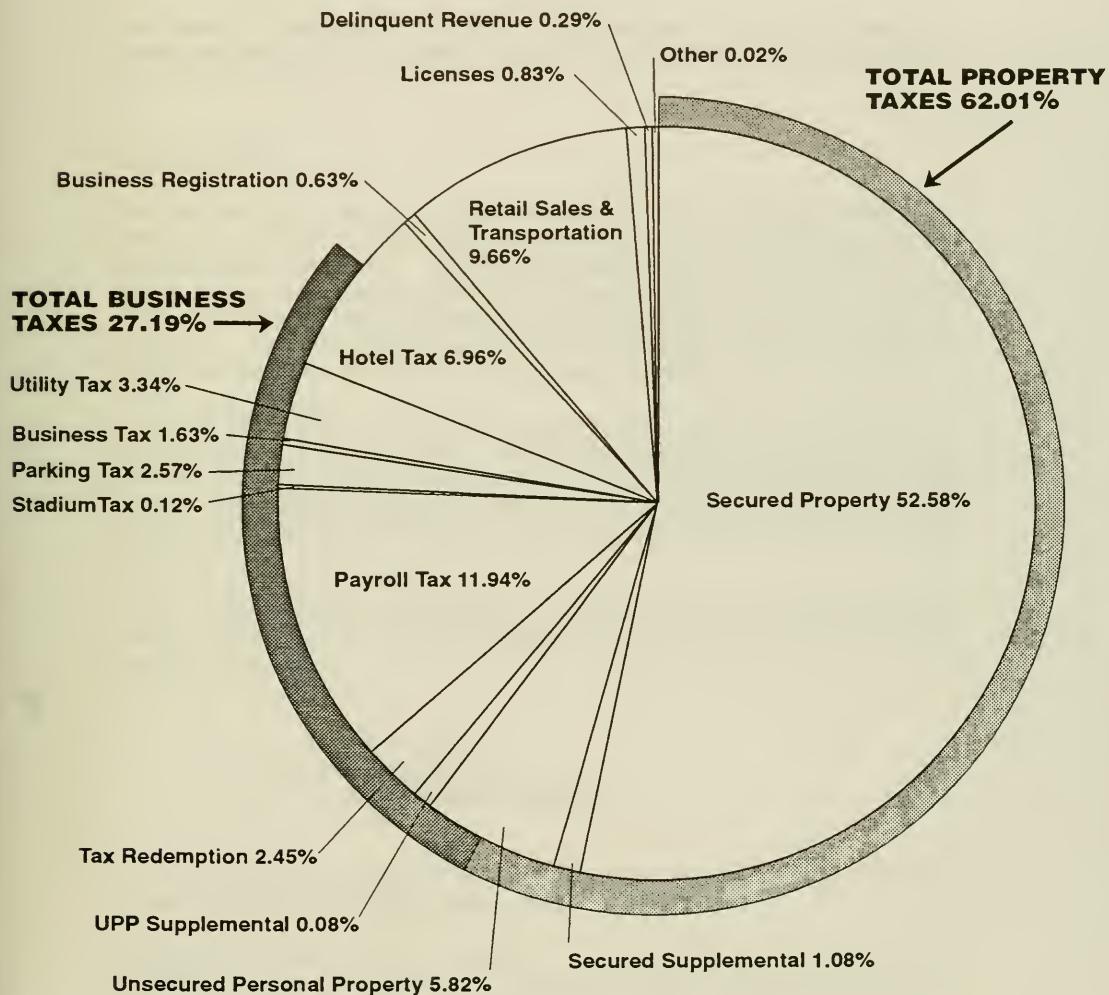
Cashier's Section -- Statistical Activity

Comparison of Collections

TYPE OF COLLECTION	FY 88-89		FY 89-90		FY 90-91		FY 91-92		FY 92-93	
	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed
Real Estate Tax	\$405,128,047	274,324	\$437,975,271	290,401	\$482,788,235	273,804	\$522,788,612	290,751	\$571,621,411	303,192
Real Estate Supplemental Tax	17,456,181	25,601	21,726,994	27,496	16,107,712	18,013	13,600,711	18,044	11,776,370	16,007
Unsecurited Personal Property Tax	46,522,434	35,438	54,928,464	36,162	59,244,238	38,826	63,489,790	36,242	63,261,672	37,108
UPP Supplemental	3,436,320	9,019	1,679,869	4,740	1,241,178	1,722	3,009,329	1,440	881,458	1,255
Business Tax	18,835,514	2,424	20,274,862	4,310	21,151,144	4,765	17,902,134	4,398	17,755,971	34,595
Business Registration	8,183,000	40,363	8,784,230	35,907	7,477,945	45,811	7,139,598	41,260	6,868,517	45,021
Payroll Tax	112,115,097	9,941	120,631,779	10,702	126,636,822	11,345	121,379,306	11,734	129,756,013	18,800
Hotel Tax	65,219,006	1,519	63,407,086	1,496	69,345,551	1,504	71,396,499	1,447	75,689,932	3,067
Parking Tax	22,559,303	1,296	22,615,220	1,307	22,347,454	1,271	24,893,230	1,160	27,936,283	1,316
Utility Tax	25,726,444	447	23,122,816	277	24,886,390	274	27,358,813	282	36,350,700	415
Stadium Tax	397,527	10	544,985	7	417,674	12	563,283	9	1,296,235	10
Licenses	7,270,653	127,890	8,852,573	181,489	8,960,207	173,026	8,753,905	107,718	8,982,099	85,130
Parking Meter *	9,089,663	249	9,481,193	245	9,864,794	249	**	**	**	**
Retail Sales & Local Transport.	103,996,929	24	106,022,827	24	111,447,267	24	104,515,882	24	105,001,531	24
Roofers Fees	9,660	79	13,110	124	12,300	94	12,933	110	11,313	99
Tax Redemption	14,533,299	5,198	16,934,479	6,170	18,229,944	5,775	22,739,713	5,485	26,590,416	5,366
Delinquent Revenue	2,552,288	13,424	1,432,819	14,955	3,434,577	13,643	3,100,024	12,990	3,098,606	11,859
Voluntary Art Fund	53,116	3,761	50,987	2,603	46,763	2,552	54,869	3,076	52,079	2,740
Other	6,154,855	542	2,931,880	572	4,714,388	651	4,135,014	624	173,214	542
TOTALS										
	\$869,239,336	551,549	\$921,418,044	618,987	\$988,354,583	593,361	\$1,016,833,645	536,794	\$1,087,103,820	566,546

* Parking meter collections transferred to Department of Parking and Traffic effective 7/1/91.

SOURCES OF REVENUE TAX COLLECTOR'S OFFICE 1992 - 1993



PROPERTY TAX SECTION

The Property Tax Section collects, records, and reports payments of secured and unsecured property taxes and special assessments. The section has two major units: Real Estate and Tax Redemption Bureau.

Real Estate Unit

This unit began the tax collection process with the mailing of property tax bills. It dispatched more than 231,000 bills, including more than 44,000 unsecured tax bills, approximately 17,000 supplemental tax bills, and 1,541 escape bills, throughout the year. In FY 92-93, it made its biggest posting in mid-October as it mailed 164,457 secured property tax bills. This event took place two weeks earlier than the date required by the State Revenue and Taxation code of November 1. The nature of both the unsecured and supplemental tax bills required individual monthly mailings rather than one big mailing as was the case for the regular secured tax roll.

In FY 92-93, the Property Tax Section received approximately 395,000 tax payments and collected \$668,335,478 in tax revenues. The NCR remittance processors processed most of these payments electronically and the Cashier processed the rest through her cashing LAN (Local Area Network) system. Regardless of the way in which they were handled, these payments must be recorded and reconciled. Afterwards, this section prepared the collection reports promptly and efficiently.

The public made more than 172,000 inquiries -- a 10% increase -- either by mail, telephone, or walk-ins. Additionally, the Automated Information Line recorded 35,463 calls. Most of these inquiries involved:

- duplicate tax bills
- explanations of tax bills
- refunds of duplicate/overpayments

The increase in number of inquiries was a direct result of the considerable increase in taxpayers' requests for reassessment of their property value.

Assessment oversights sometimes resulted in corrected tax bills being issued. The tax liability on these corrected tax bills could be either over- or under-stated. If it was the former, the Tax Collector had to refund the difference to the taxpayer. Otherwise, the difference had to be remitted to the Tax Collector.

Objectives:

The Property Tax Section set and met the following objectives:

- To complete mailing of all current year secured tax bills by November 1.
- To process within three days all secured payments received on or before December 10 and April 10.
- To post and reconcile within sixty days all secured payments received on or before December 10 and April 10.
- To post and reconcile within forty-five days all unsecured payments received on or before August 31.
- To provide a list of delinquent unsecured accounts as of August 31 to the Investigation Section by October 15.
- To mail 100% of non-penalty courtesy letters within seven days of receipt from Cashier.

Tax Redemption Unit

This unit processed and computed payments of prior years' delinquent secured property taxes. It maintained complete listings and accounting records of prior years' delinquent property taxes, penalties, costs, redemption penalties and fees. It also maintained complete records on taxes being paid under the five-year installment payment plan. In FY 92-93, taxpayers redeemed 4,509 tax-defaulted parcels to produce a tax revenue of \$25,800,515 -- a 15% increase from previous years' revenue collections.

An on-line automated financial system maintained the accounting records for delinquent taxes outstanding and collected. It automatically accumulated the tax liability on a monthly basis until the property was either redeemed or sold. It has inquiry, update, and payment recording capabilities.

The unit received a high volume of inquiries from the following entities:

- general public
- title insurance companies
- mortgage companies
- savings and loan companies
- banks
- tax service agencies

Most inquiries involved the:

- interpretation of the State Revenue and Taxation Code
- current tax status
- computation of taxes and penalties

To perform these functions effectively, this unit had fostered a close relationship with the offices of the City Controller, Assessor, Recorder, and State Controller.

The Tax Redemption Unit also prepared lists of properties that had become tax-defaulted and, consequently, were subject to sale. In compliance with state law, the Tax Redemption Unit published the Delinquent List in September 1992 as well as the Notice of Impending Tax Default and the Notice of Power and Intent to Sell Tax-Defaulted Property in June 1993 in the local newspaper.

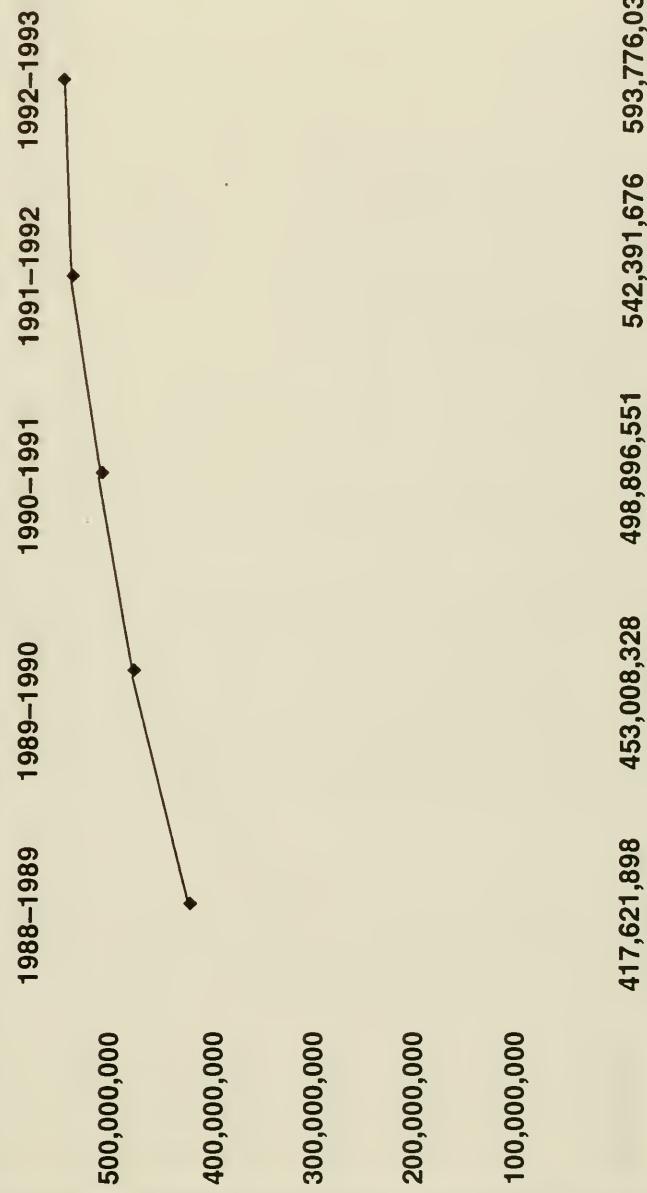
Property Tax Section -- Statistical Activity

Comparative Tax Collection Report

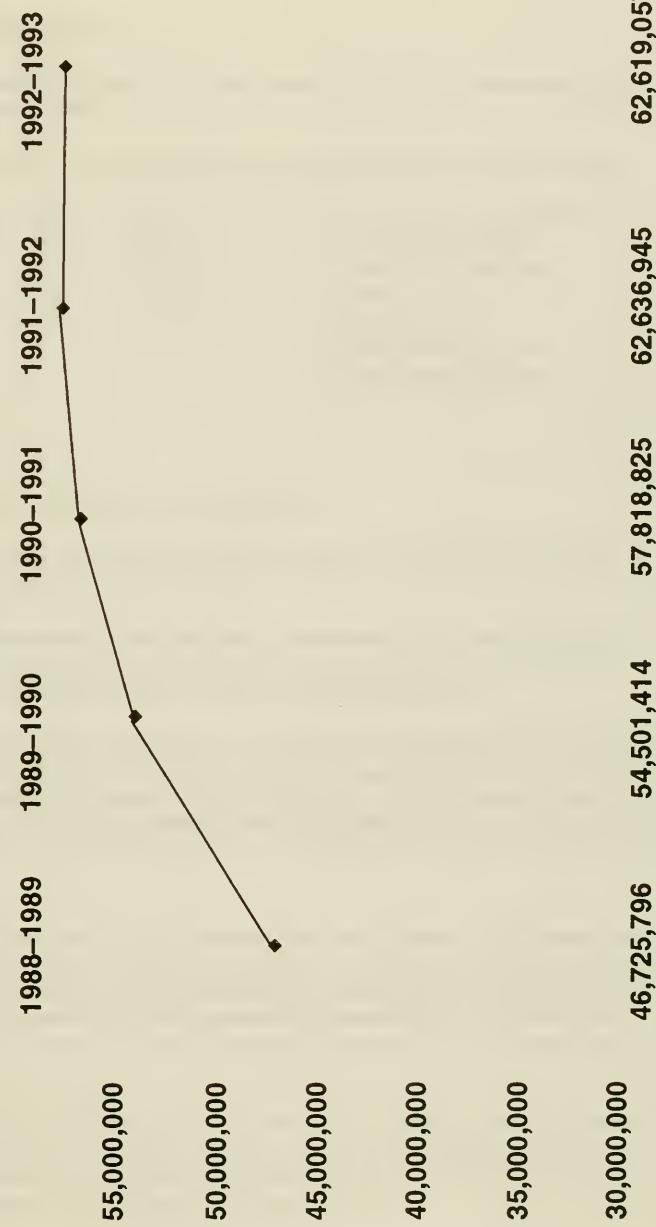
TYPE OF COLLECTION	FY 88-89FY 89-90FY 90-91FY 91-92FY 92-93		
Secured Property			
Current Year	\$403,318,125	\$436,044,260	\$481,122,462
Prior Year Redemptions	14,303,773	16,964,068	17,774,089
TOTAL SECURED	\$417,621,898	\$453,008,328	\$498,896,551
Unsecured Property			
Prepaid	\$381,555	\$403,628	\$457,791
Current Year	44,843,527	52,263,190	55,453,458
Prior Years	1,500,714	1,832,596	1,907,576
TOTAL UNSECURED	\$46,725,796	\$54,501,414	\$57,818,825
Supplemental			
Secured	\$16,308,405	\$20,263,873	\$14,462,351
Unsecured	2,927,453	1,584,762	1,150,217
TOTAL SUPPLEMENTAL	\$19,235,858	\$21,848,635	\$15,612,568
TOTAL COLLECTIONS	\$483,583,552	\$529,358,377	\$572,327,944
			\$621,065,482
			\$668,335,478

Amounts in the Cashier's Report are before adjustments. Amounts in this report are adjusted due to transfers, duplicates and overpayments thus differing in affected categories from the Cashier's Report.

SECURED PROPERTY TAX



UNSECURED PROPERTY TAX



BUSINESS TAX SECTION

The Business Tax Section is responsible for implementing the following tax ordinances of the City and County of San Francisco:

City and County of San Francisco Municipal Code, Part III, Revenue and Finance:

Article 12-A	Sec.	901 et. seq.	Payroll Expense Tax Ordinance
Article 12-B	Sec.	1001 et. seq.	Business Tax Ordinance
Article 7	Sec.	501 et. seq.	Transient Occupancy Tax
Article 9	Sec.	601 et. seq.	Parking Tax
Article 10	Sec.	701 et. seq.	Utility Users Tax
			Stadium Admission Tax
			Roofers Vehicle Tag Fee
			Registration Fee

The missions of the Business Tax Section are threefold:

- To provide taxpayers with information and assistance in registering their business, in filing their returns, and other tax matters.
- To maintain taxpayers accounts and files on the automated tax system known as the Business Tax System (BTS). The BTS is programmed to generate annual billings, account balance updates and non-compliance tax determinations.
- To perform compliance audits and to promote taxpayer compliance with the City's tax ordinances. In addition to local audits, a program to audit major cities outside San Francisco was also conducted in FY 1992-93 with very effective results. Three teams of auditors were sent to Oregon/Seattle; Kansas City/Atlanta; and Los Angeles/San Diego, which generated deficiency billings in excess of \$860,000, at a cost of \$ 26,850.

The Business Tax Section continues to be involved in the various phases of development and enhancement of the Tax Collector's Business Tax System. The system was first implemented in December, 1991. In partnership with the Controller's Information Services Division, the unit has provided a significant number of staff-hours to implement the BTS. Now that the core system is in place, the Business Tax staff will be returning to other duties, particularly field audits.

When fully completed, the project is expected not only to improve the tax collection function and enhance the ability of the Tax Collector's Office to deliver taxpayer services, but also to provide more comprehensive management reports and statistical information to those senior managers who make decisions and formulate policies for the City.

Audits

The Business Tax Section experienced a substantial decline in audit deficiency billings (\$5.2 million) from FY 90-91 to FY 92-93 due to staff reductions, longterm vacancies designed to effect a high level of salary savings, and the installation of an automated tax collection system.

A review of the Section's audit performance since FY 90-91, gave strong indications that annual audit billings could be substantially increased -- by approximately \$3 million -- through the recruitment of appropriate staff and the utilization of computers in field audits.

Business Tax Section -- Statistical Activity

TAX COLLECTION

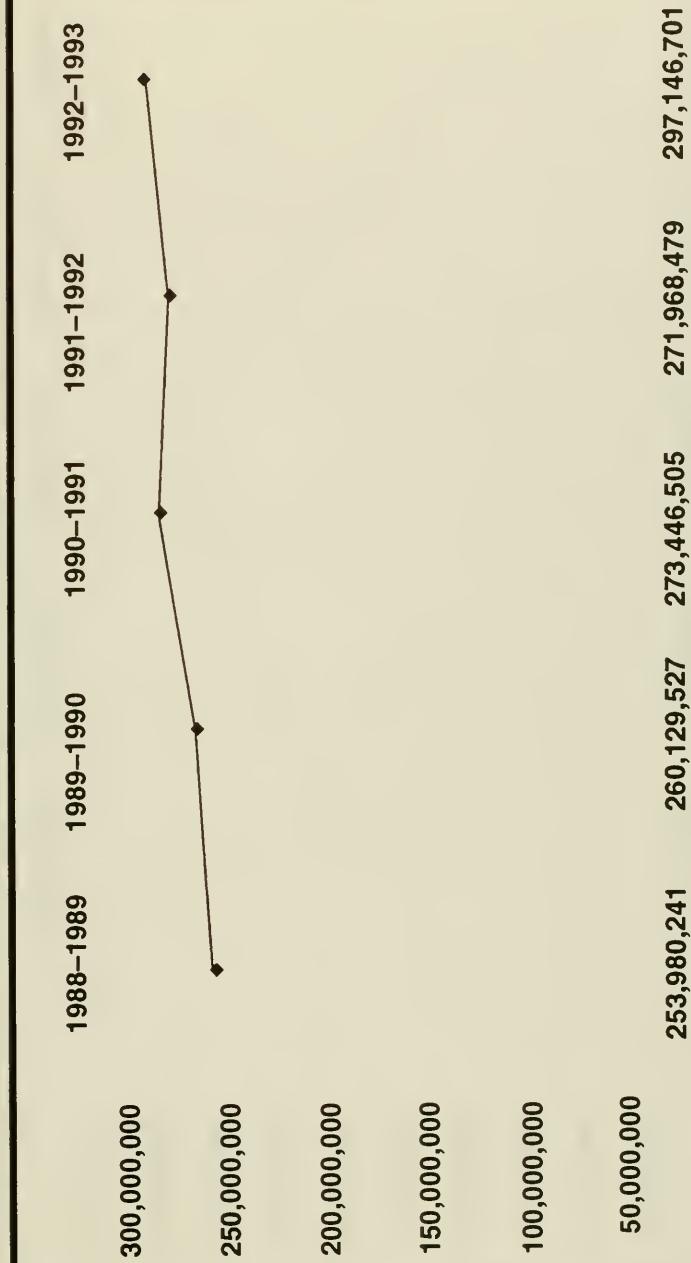
	FY 1988-1989	FY 1989-1990	FY 1990-1991	FY 1991-1992	FY 1992-1993
Payroll/Business Tax	\$130,950,610	\$140,906,641	\$147,787,967	\$139,281,440	\$147,511,982
Utility Tax (1)	26,422,087	23,619,418	25,531,653	28,104,704	37,273,581
Parking Tax (1)	22,798,351	22,853,357	22,873,415	25,470,022	28,495,139
Hotel Tax	65,219,006	63,407,086	69,345,551	71,396,499	75,689,933
Stadium Tax	397,527	544,985	417,674	563,283	1,296,235
Registration Fee	8,183,000	8,784,930	7,477,945	7,139,598	6,868,518
Roofers Vehicle Tag Fee	9,660	13,110	12,300	12,933	11,313
TOTAL	\$253,980,241	\$260,129,527	\$273,446,505	\$271,968,479	\$297,146,701

(1) The different amounts shown in this report and those in the Cashier's report are due to the tax paid by certain City Departments by transfers. The Parking Tax transfers for 1988-89, 1989-90, 1990-91, 1991-92, and 1992-93 are: \$321,344.71; \$328,137; \$323,961; \$376,792; and \$358,836 respectively. The Utility Tax transfers are: \$1,201,647; \$496,602; \$645,263; \$745,891; and \$922,881 for the same years.

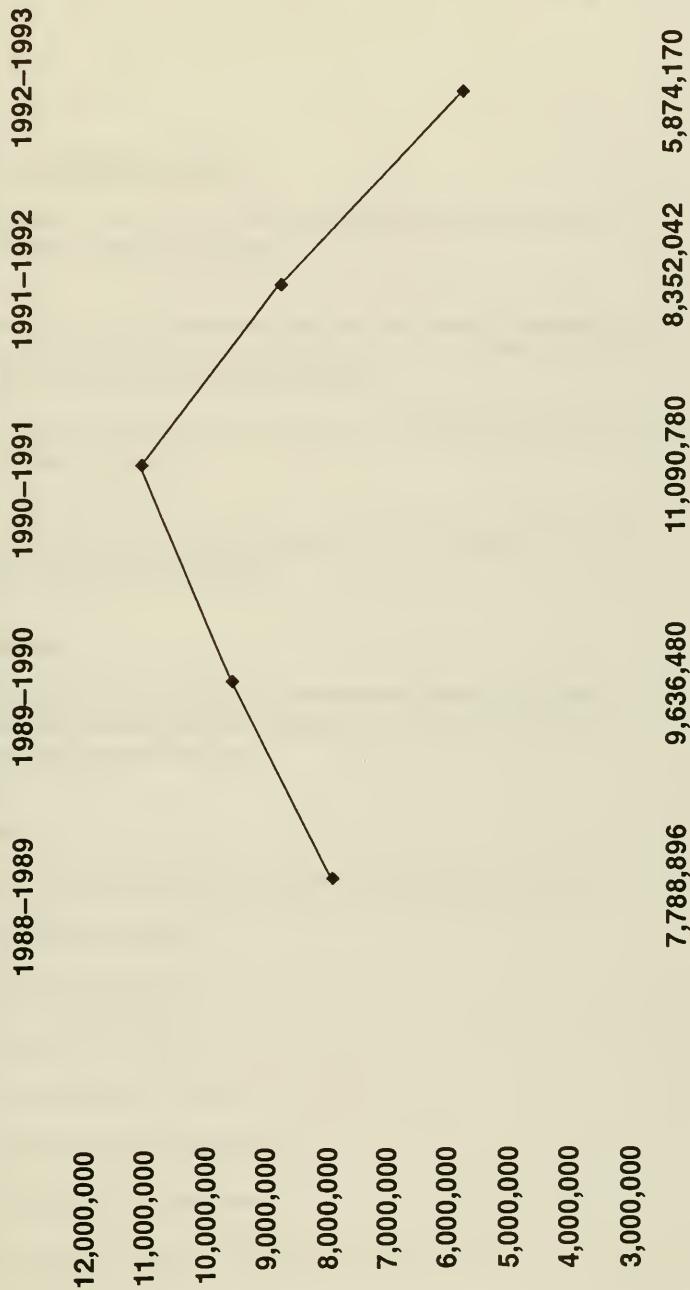
AUDIT RESULTS:

	FY 1988-1989	FY 1989-1990	FY 1990-1991	FY 1991-1992	FY 1992-1993
Audit Hours	9,735.0	11,767.0	10,326.0	4,865.0	2,666.0
Audits Completed	803.0	1,011.0	898.0	366.0	209.0
Average Hours/Audit	12.1	11.6	11.5	13.3	12.8
Average Billings/Audit	\$9,700	\$9,532	\$12,351	\$22,820	\$28,106
Average Billings/Hour	\$800	\$819	\$1,074	\$1,717	\$2,203
Audit Deficiency Billing	\$7,788,896	\$9,636,480	\$11,090,780	\$8,352,042	\$5,874,170

BUSINESS TAXES DIVISION



AUDIT BILLINGS



BUREAU OF DELINQUENT REVENUE

The Bureau of Delinquent Revenue provides two types of collection services to the various departments of the City and County of San Francisco.

- It accepts accounts from departments (other than those under the jurisdiction of Public Service Enterprises) that are unable to collect their accounts receivable within the 90 days provided by the Administrative Code.
- It researches and collects unpaid fees and taxes by submitting claims during escrow and bankruptcy proceedings.

To perform these functions effectively and efficiently, the Bureau is organized into two units -- Delinquent Accounts and Escrow and Bankruptcy.

Delinquent Accounts Unit

All delinquent accounts referred to the Bureau in accordance with Section 10.38 of the Administrative Code are processed by this unit. Pertinent account information is computerized, reviewed, and sent through the collection process.

Collection Services:

Some of the collection services that the Bureau provides to the various departments are:

- Billing and debt resolution
- Skip tracing bad addresses
- Employment verifications
- Filing creditor claims in Probate
- Filing Workers' Compensation claims
- Small Claims Court representation
- Initiating civil litigation in Municipal and Superior Court

Escrow and Bankruptcy

This unit collects taxes and other accounts receivable when a business or person opens an escrow account or files for bankruptcy.

In escrow situations, funds are put into the custody of a third party until certain conditions are met. Funds necessary to the closure of a real estate transaction are placed in an escrow account. The Bureau submits demands to escrow holders before the sale of any business or real property becomes final in order to maximize the collection potential of taxes and other claims by the City against parties to the transaction. This potential diminishes considerably unless claims are filed promptly.

In Bankruptcy cases, creditor claims must be filed with the bankruptcy courts in a timely manner in order to be valid. Claims filed after the statutory period lack effect and are normally uncollectible.

1992-1993 Year End Summary

Despite the need to make adjustments following the loss of one (1) collection officer, due to early retirement, the overall revenue collections for the Delinquent Accounts unit increased by \$321,264 or 5.22%.

Collections for the Escrow and Bankruptcy Unit remained at a level higher than that which BDR originally estimated for FY 92-93. However, the collection pattern continues to show a declining rate and, it is predicted, will continue into FY 93-94, eventually stabilizing at the level of \$1,000,000 annually. Collected revenues for the 92-93 fiscal year totaled \$1,199,975 for the Escrow and Bankruptcy Unit.

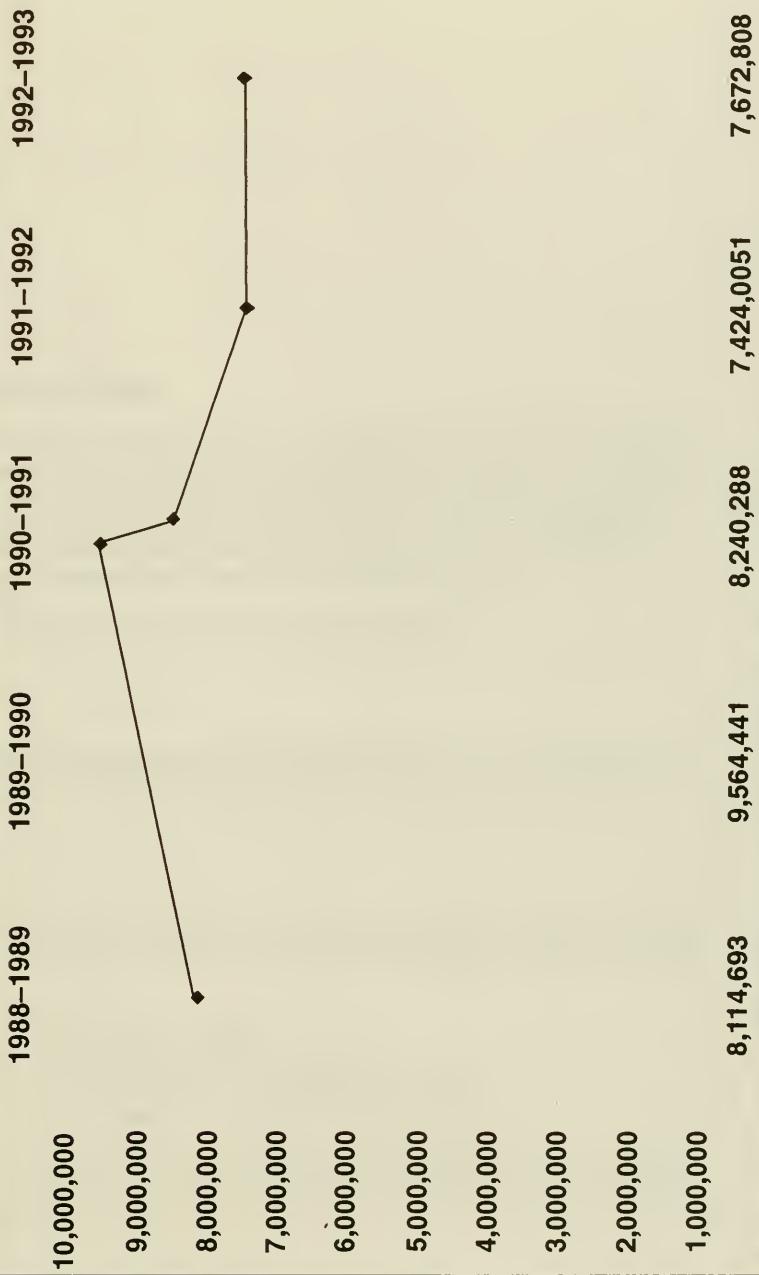
With a budget cut of one (1) additional collection officer and one (1) 1424 Clerk Typist for FY 93-94, the Bureau will reorganize its units to process debtor inquiries more effectively and to reduce the backlog of active delinquent accounts. Mailing of bills will be rescheduled during the next fiscal year to enable timely processing of inquiries. Voice mail will be installed as one means of coping with the staff shortage. A collection officer will also be transferred from Escrow and Bankruptcy in an effort to maintain the collection level for delinquent accounts. This means that research and collection efforts on Chapter 7 bankruptcy cases will, of necessity, receive a lower priority than more pressing and potentially productive Escrow and Bankruptcy matters. The Bureau estimates that the possible loss of revenue resulting from staff shortages will be minimized by these shifts in personnel and procedures.

Bureau of Delinquent Revenue -- Statistical Activity

COLLECTIONS	FY 1988-1989	FY 1989-1990	FY 1990-1991	FY 1991-1992	FY 1992-1993
Dept. of Public Health	\$2,189,947	\$2,756,586	\$3,096,546	\$2,718,081	\$2,820,868
Contractual Services	270,991	394,092	209,408	304,539	170,195
Payments Direct to Dept. of Public Health	2,609,113	3,229,456	3,213,439	3,051,542	3,374,226
All Other Departments	328,303	282,141	128,623	77,407	107,544
Escrow & Bankruptcy	2,716,339	2,902,166	1,592,272	1,272,482	1,199,975
TOTAL COLLECTIONS:	\$8,114,693	\$9,564,441	\$8,240,288	\$7,424,051	\$7,672,808
<hr/>					
OTHER DELINQUENT ACCOUNT DATA					
Total No. of Outstanding Accts (except outpatient)	15,230	13,922	12,105	9,971	7,204
Total No. of Outpatient Medical Accts'	206,754	274,093	85,664	101,268	83,584
Total No. of Cash Collections	13,416	14,837	14,975	14,843	12,846
Total No. of Direct Payments to Dept. of Public Health	1,558	1,317	2,335	4,733	3,583
Total No. of Transfers to Bur. of Delinquent Revenue	36,902	62,608	64,347	45,527	38,966

STABW.DA (Rev. 10-7-90)

BUREAU OF DELINQUENT REVENUE



INVESTIGATION SECTION

The Investigation Section's main responsibility is to ensure that taxpayers comply with the State Revenue and Taxation Code for the County and Local Tax Ordinances of the City. The section operates basically as a support group primarily for the Property Tax, Business Tax, and Legal sections and, secondarily, for the Delinquent Revenue and License sections. Investigation of delinquencies revolves mostly around unsecured personal property taxes of the Property tax Section, and business payroll and gross receipts of the Business Tax Section.

This section is divided into three units, both functionally and physically:

Administrative:

This unit is responsible for all fiscal matters, accounting and financial reports, and clearance of assignments and personnel. It also handles Small Claims Actions and bounced checks cases.

Field:

The field investigators are the ones who have actual face-to-face contact with the taxpayers. They perform a variety of tasks in their efforts to resolve non-compliance issues. Their responsibilities are to:

- locate delinquent taxpayers
- convince them to pay their delinquent taxes
- serve legal documents on behalf of the Legal Section
- assist Business Tax in registering all business accounts

During FY 92-93, the unit lost three senior investigators to early retirement. The positions have not been replaced. This loss of senior personnel has had a marked effect on the unit's collection procedures and results.

Clearance:

This unit's main function is to check all business accounts for any tax delinquencies. All delinquencies must be paid in full before a Business Certificate is issued.

Several major computer programs, which greatly benefit the Investigation Section, were implemented. The columns below list these program names and their benefits.

<u>Program</u>	<u>Benefits</u>
Business Tax System (BTS)	Accelerates searches for payroll and business accounts
TBAI penalties monthly basis.	Automatically calculates and bills late payment and partial payment interest on a
TBAX	Provides instantaneous information on all delinquent tax bills and posting of paid accounts to the taxpayers.

The new computer programs have been very successful in helping with the identification of delinquent accounts from one or more prior years. The unit has been empowered to take partial payments on delinquent accounts, which provides taxpayers with an opportunity to make smaller and more frequent payments on delinquent tax bills.

In FY 91-92, even with a sluggish economy, we were able to increase collections, but in FY 92-93, we have had to adjust to the unpleasant reality that many businesses are in extreme difficulty.

It should be noted that the Investigation Section brought in an additional \$1,315,694 in collections because an investigator handled tax defaulted sales on behalf of the Property tax Section from August, 1991 to October 1992.

The Investigation section will continue to work on reducing the number of open accounts and minimizing the delinquent tax ratio. The unit's ultimate goal is to reduce delinquencies from the current 5-6% to 1% within five years.

Investigation Section -- Statistical Activity

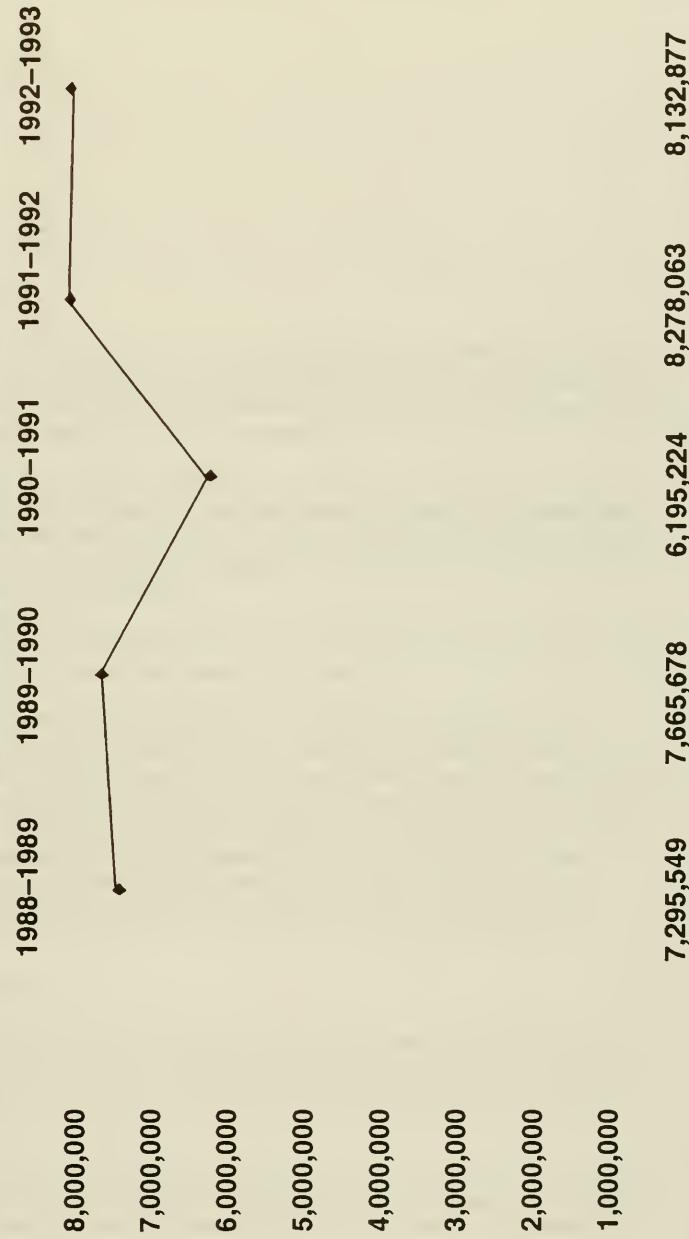
	FY 1988-1989	FY 1989-1990	FY 1990-1991	FY 1991-1992	FY 1992-1993
COLLECTION ACTIVITY					
Collections Made	\$7,295,549	\$7,229,716	\$5,288,837	\$7,373,386	\$5,819,312
Clearance Unit Collection	—	\$435,962	\$906,387	\$904,677	\$997,871
Tax Default Sale	—	—	—	—	\$1,315,694
TOTAL	\$7,295,549	\$7,665,678	\$6,195,224	\$8,278,063	\$8,132,877
CASES FILED & INSTITUTED					
Small Claims Court	18	22	16	71	70
Municipal/Superior Court	6	20	13	20	1
TOTAL ACCOUNTS SUBMITTED FOR SUIT	24	42	29	91	71
INVENTORY OF ACCOUNTS					
Accounts open at Start of Year	41,096	48,345	59,936	*67051	*89,942
Accounts Received During Year	18,000	22,668	17,686	27,565	7,469
Subtotal	59,096	71,013	77,622	94,616	97,411
Accounts Closed During the Year	(10,751)	(11,077)	(10,571)	(12,285)	(4,637)
Accounts Open at End of Year	48,345	59,936	*67,051	*82,331	92,774
CLEARANCE UNIT INVENTORY OF ACCOUNTS					
Open at Start of Year	—	25,774	15,426	8,873	14,141
Accounts Received	58,250	67,200	66,363	64,815	32,621
Subtotal	58,250	92,974	81,789	73,688	9,706
Minus: Accounts Cleared	(32,476)	(77,548)	(72,916)	(59,547)	(42,835)
Accounts Open at End of Year	25,774	15,426	8,873	14,141	13,633
OTHER ACTIVITY					
Certificates of Lien on File	1,965	7,277	4,754	4,122	**7,630
Abandonment Recommendations	540	2,000	1,500	636	****981

* Accountant found error in FY90/91. Balances adjusted.

** 1,006 accounts are in filing of 1983 activity

*** Unsecured \$10.00 = \$59. 1962 accounts = 21 Five yr. plan = 101. Total 981.

INVESTIGATION DIVISION



LEGAL SECTION

The Legal Section's primary function continues to be the collection of delinquent monetary claims under the Tax Collector's jurisdiction. In addition to this primary function, Legal Section acts as the legal advisor to the Tax Collector and his section supervisors on legal issues arising in the course of their respective monetary collection activities.

The majority of delinquent accounts referred to Legal Section are tax deficiency assessments from the Business Tax section. These delinquent tax assessments, often involve closely held corporations or limited partnerships and demand analysis of sophisticated commercial legal relationships before a successful collection strategy can be developed. A thorough knowledge of bankruptcy law is essential to this practice.

The remainder are medical treatment accounts, processed by the Bureau of Delinquent Revenue (BDR), from San Francisco General and Laguna Honda hospitals.

An important part of Legal Section's representation of BDR's collection efforts, involves negotiation, compromise, and litigation relating to the medical reimbursement liens which Bureau personnel file in the hospital patient's lawsuit against third parties who allegedly caused the patient's injuries. Although Legal Section personnel utilize the civil collection suit as the principal tool to enforce payment of delinquent accounts, they also employ other procedures when appropriate, including a wide ranging array of civil creditor procedures to collect delinquent accounts. Included among these procedures are claims in bankruptcy estates, decedent estates, and conservatorship estates, a variety of liens, and voluntary payment instruments.

Performance Objectives

As a separate operating section, Legal Section has its own performance objectives which were revised in 1990. Current performance objectives call for collecting \$2 million dollars of delinquent revenue per fiscal year and filing 60 civil complaints and obtaining 28 judgments during the same period.

Legal Section exceeded its monetary collection objective in FY 92-93 by collecting \$4,675,000 - the highest dollar amount ever collected by this Section. However, the number of complaints filed and judgments obtained were only partially fulfilled because substantial professional

personnel time was devoted to litigating contested cases already pending in the Section inventory in addition to other issues outside of monetary collection litigation.

Legal Section has received 14 accounts from Investigation Section where the tax debtor wanted to pay tax delinquencies in monthly installments over an extended number of years. This involves a complex process which is very labor intensive and which is consuming an ever increasing portion of legal assistant and secretarial staff time. However this program accounted for \$2,066,859 or approximately 50% of the reported total collection of delinquent revenues.

One legal assistant was on maternity leave for six months. In addition, at the end of the fiscal year, one 1458 Legal Secretarial position was eliminated in the budget process. The resultant reassignment of duties, in the latter case, may seriously impact the Legal Section's ability to collect delinquent revenues.

During this year, the Board of Supervisors enacted the "sunshine ordinance" in its present form, despite strong objections of the Tax Collector that the public records provisions of this ordinance, if fully utilized by affected members of the public and their representatives, have the potential for severely hampering Legal Section's delinquent revenue collection operations.

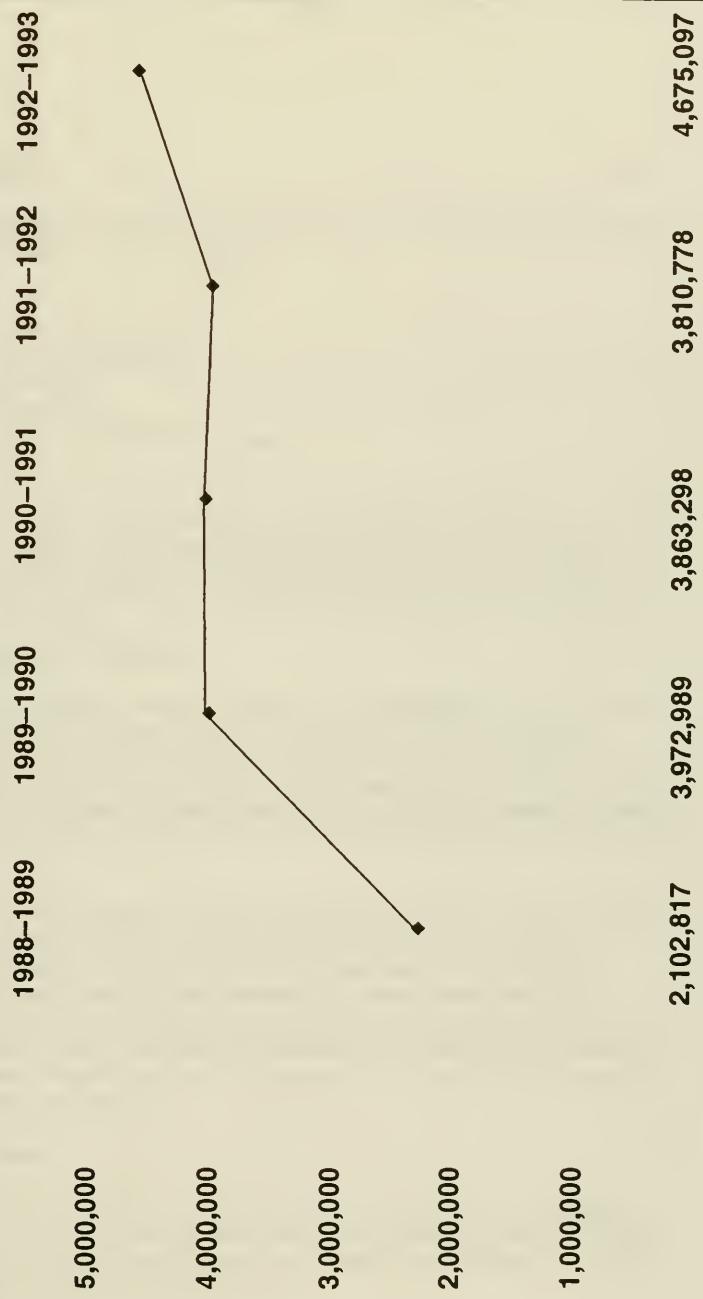
Legal Section has also been struggling to cope with the additional clerical and calendaring burdens imposed by recently enacted "fast track" rules in both municipal and superior courts. Every case now requires four additional calendar dates beyond those formerly required by state laws. These filing dates are currently calendared manually by secretarial staff and monitored by the attorneys. It is expected that calendaring software will become available to Legal Section in FY 93-94, which should significantly ease this burden.

Legal Section -- Statistical Activity

TYPE OF ACTIVITY	FY 88-89	FY 89-90	FY 90-91	FY 91-92	FY 92-93
Complaints Filed	37	41	32	28	17
Abstracts Recorded	15	17	21	18	16
TOTAL DOLLAR RECOVERY	\$2,102,817	\$3,972,989	\$3,863,298	\$3,810,778	\$4,675,097
**					

** *From all sources including but not limited to Abstracts of Judgments and filed Complaints.*

LEGAL DIVISION



LICENSE SECTION

The License Section collects fees for nearly 150 different types of licenses and permits under five regulatory departments. These departments are:

- Department of Public Works
- Department of Public Health
- Fire Department
- Police Department
- Department of Animal Care and Control.

Issuance of new and replacement identification cards, badges and vehicle plates for approximately 8,000 drivers of public passenger vehicles under the Police Department is included as an important part of the section's collection responsibilities. The authority for the enforcement and collection of these fees is the San Francisco Municipal Code, Part III.

Rent Stabilization and Arbitration Fee

The License section continues to administer Chapter 37A of the Administrative Code. This chapter created a Rent Stabilization and Arbitration Fee in 1989. The fee is \$8.00 for approximately 210,000 residential units in San Francisco. Although this is a major responsibility, the public is now more conscious of this fee and the collection process is more routine than the initial two years. As a result, liens were recorded against delinquent properties whereas in previous years, these accounts were included as a special assessment on the property tax roll.

The estimated revenue for regulatory licenses and permits for FY 92-93 is \$7,366,500. Despite declining economic factors, the actual revenue of \$7,656,393 is nearly 4% higher than the estimate and 6-3/4% higher than the revenue of the previous fiscal year. In all areas of collection, revenues have increased modestly compared with the previous year's figures. However, 10% fewer licenses and permits were processed. One of the reasons for the decrease is that the Tax Collector's Office was collecting revenues for the Preferential Parking Program during the first quarter of the previous year. This program is now under the jurisdiction of the Department of Parking and Traffic.

Delinquent Fees Penalty

New businesses that do not respond to the initial statement of fees due are now assessed a penalty. This is a policy not previously included as part of the collection procedure. After 90 days, a delinquent report is forwarded to the regulatory departments for collection. Of 13,000 new accounts, approximately 5% are delinquent.

Department of Public Works Surcharge

Targeted for implementation in September, 1993, is Ordinance 369-92, adopted by the San Francisco Board of Supervisors, authorizing the Tax Collector's office to collect a 3% surcharge on apartments and hotels for the Department of Public Works. The FY revenue will be augmented by an additional \$100,000.

Dog Licenses

Dog licenses will gradually move from a manual system to an on-line system. The system interfaces with the Department of Animal Care and Control and has the capability of providing around the clock information. San Francisco is the first city to adopt this program. East Bay, North and South Bay counties will network with this system in the near future.

The implementation of the revised dog license ordinance provides flexibility in the Licensing procedure, to comply with State Department of Public Health's rabies requirements and was in effect during FY 92-93. Dog licenses are now available for one, two, or three year terms to accommodate the anniversary of the dog's rabies shot. Dog licenses are only issued upon presentation of proof of the rabies vaccination. They may be obtained during any month, all year around, instead of only once a year. The reduced fee for the first year's license has been eliminated. Revenue and the number of licenses sold should rise substantially because of these changes.

Under budget constraints, members of the license staff are cross-trained in a broader range of collections and internal operation activities. Fifty percent of the staff are proficient in almost all licensing functions. Even though the section lost two permanent positions, it is still committed to providing taxpayers with quality service by responding to inquiries within eight hours, providing accurate information, and attempting in every way to reflect the goodwill of the department.

License Section -- Statistical Activity

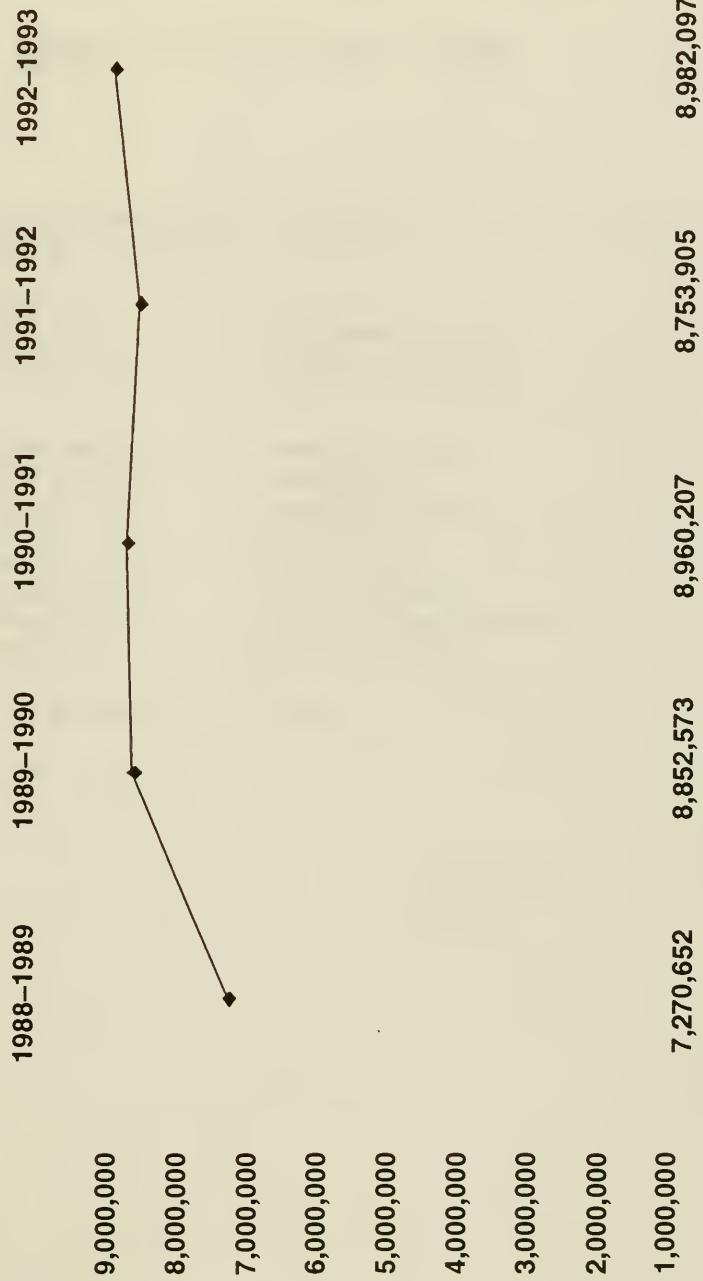
TYPE OF COLLECTION	FY 1988-1989		FY 1989-1990		FY 1990-1991		FY 1991-1992		FY 1992-1993	
	Amount Processed	Items Processed								
Public Works *	\$2,330,035	23,732	\$2,453,692	36,238	\$2,495,309	19,841	\$2,918,478	19,400	\$3,116,810	19,037
Police **	\$234,083	5,515	\$536,328	8,222	\$501,474	8,250	\$533,528	8,403	\$696,076	9,384
Public Health ***	\$3,309,972	7,386	\$3,202,644	8,272	\$3,181,784	8,196	\$3,274,754	8,185	\$3,370,537	7,324
Parking Permits	\$876,793	73,913	\$918,277	79,198	\$1,002,776	85,810	\$194,654	18,667	...	...
Fire Department Licenses	\$423,116	2,051	\$420,516	2,103	\$409,406	2,153	\$410,073	2,146	\$416,270	2,146
Dog Licenses	\$96,653	15,335	\$44,748	7,400	\$50,464	8,208	\$36,058	6,230	\$56,700	7,065
Rent Stabilization and Arbitration	...	...	\$1,276,368	40,056	\$1,318,994	40,568	\$1,386,360	44,687	\$1,325,704	40,174
TOTALS	\$7,270,652	127,932	\$8,852,573	181,489	\$8,960,207	173,026	\$8,753,905	107,718	\$8,982,097	85,130

* Public Works includes the category formerly designated as "Apartment & Hotel."

** Police includes categories formerly designated "Vehicles" and "Miscellaneous".

*** Public Health includes categories formerly designated as "Miscellaneous Health", "Food Prod. & Marketing" and "Food Prep. & Service."

LICENSE DIVISION

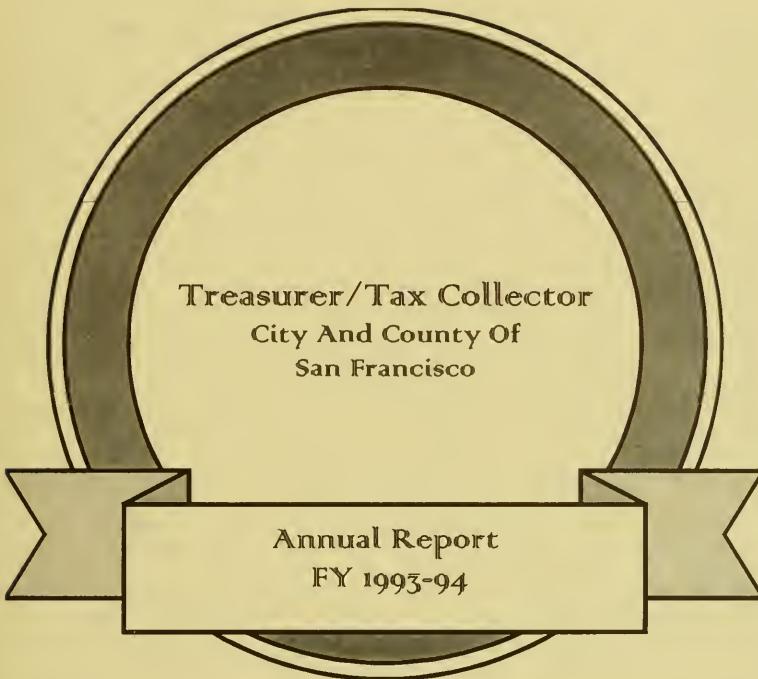


❖❖❖ ACKNOWLEDGMENTS ❖❖❖

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Andrew Bacigalupi	Investigations Section
Robert Fletcher	Legal Section
Gail Friedlander	Administration Section
Anita Jin	License Section
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Francis Nguyen	Property Tax Section
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Mary I. Callanan,
Treasurer



Treasurer/Tax Collector
City And County Of
San Francisco

Annual Report
FY 1993-94

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Mary I. Callanan
Treasurer

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ANNUAL REPORT OF THE TREASURER-TAX COLLECTOR

City And County Of San Francisco

As of June 30, 1994
for
Fiscal Year 93-94

SYNOPSIS

The Office of Treasurer of San Francisco is an elective office which has been in existence since 1850. For a few years, from 1850 to 1856, there were *two* Treasurers - one for the City and one for the County, because San Francisco County embraced nearly all of present-day San Mateo County as well. Following the Consolidation Act of 1856, San Francisco became a combined City and County -- the only combined City and County in the State of California. In July of 1979, a Charter amendment added the office and duties of Tax Collector to the Treasurer's responsibilities.

The Treasurer is the banker and investment officer for the citizens of San Francisco and manages the investment functions and day-to-day operations of the City's cash management program. She is responsible for an overall portfolio currently in excess of \$2.2 billion. The Treasurer's basic management objectives for managing this portfolio are, in order of priority:

1. Preservation of capital
2. Availability of funds
3. Yield (favorable return on investment without undue compromise of the first two objectives)

The Treasurer is guided in investment choices by the California State Government Code which allows a wide range of investment alternatives, such as:

- Time Deposits in banks and savings and loan associations
- Negotiable Certificates of Deposits
- Treasury Bills, Notes, and Bonds
- Federal Agencies issues
- Bankers Acceptances and Commercial Paper

Real estate and common stock are strictly excluded from allowable investments.

The following report covers the fiscal year ended June 30, 1994, and contains comparative statistics and information for the past five years of investment activities and tax collection revenues.

Each month the entire portfolio is "marked to market". This report and other details of performance activity and results are submitted to the Mayor and the Board of Supervisors. Present return on investment is among the highest in the State and the portfolio reflects the highest quality of investment alternatives. The Treasurer's staff takes pride in the fact that, over the past five years, the Treasurer's investment program has earned \$ 543 million with full liquidity and safety of all funds. This has been accomplished by strict adherence to the Treasurer's investment policy and by avoiding risky investments such as derivatives.

The portfolio includes the proceeds of numerous General Obligation and Revenue Bond issues. The Treasurer assisted in the sale of \$ 35,000,000 General Obligation Bonds and \$ 325,000,000 of Tax Revenue Anticipation Notes (TRANS). Earnings and expenditures on all bond issues must be closely monitored due to arbitrage regulations contained in the 1986 Federal Tax Reform Act and its subsequent amendments.

In managing the cash flow of the City and County the Treasurer works closely with all departments to ensure that all funds due are received and deposited as quickly as possible. In order to accomplish this the Treasurer has negotiated contracts with various banks for such items as lockbox and credit card services. The Treasurer's office disburses cash for approximately 2.2 million checks (warrants) issued by the Controller, amounting to over \$ 3.9 billion each year. It should be noted that the Treasurer's office does not issue checks (warrants), nor have any control over the budget approvals or expenditures. Care is taken to insure that cash is available to honor checks (warrants) issued to cover approved expenditures. In addition, the Treasurer's Office receives, verifies and pays all matured general obligation bonds and coupons. This amounted to over \$ 20.7 million in 1993-94, as well as book entry bond redemption and interest which was wired to the Depository Trust Company in the amount of \$ 59.4 million.

The tax collection responsibility of the Treasurer includes the collection of Property Taxes, numerous Licenses and Permits, Business Taxes, Investigations, and Delinquent Accounts due to other City departments. Annual revenue collections have increased from \$ 921 million to almost \$ 1.2 billion over the past five years. Substantial detail concerning the City's tax collection activities is provided in the body of this report.

In summary, the Treasurer collects, protects and maximizes returns on all funds belonging to the citizens of the City and County of San Francisco.

ORGANIZATION AND BUDGET

In brief, the organization appears as follows:

TREASURER

Chief Assistant Treasurer	Tax Administrator
Treasury Division	Deputy Tax Administrator
Treasurer's Cashier	Administration
	Tax Collector's Cashier
	Business Tax
	Property Tax
Chief Investment Officer	Licenses and Permits
Investments	Delinquent Revenue
Cash Management	Investigations
Bond & Coupon Redemption	Legal

The Treasurer-Tax Collector Department budgeted expenditures of \$ 10,232,616 for FY 1993-94, with a total of 146 positions, a significant reduction from \$ 11,353,952 with a total of 160 positions in Fiscal Year 1992-93. The Administration Section provides centralized support services to the programs and activities of the Treasurer-Tax Collector's Office. Goals and achievements of the various sections are detailed in the following pages of this report.

¤ Treasury Division ¤

TREASURY DIVISION

The Treasury Division's main responsibility is to account for receipt of all funds deposited by City Departments, redeem Controller's checks (warrants) and disburse funds for other legal obligations.

The Treasury Division also accepts various assets such as securities, deposits, bail bonds and miscellaneous assets from departments and holds them in a special custody safe. Computer software has been developed and customized to record all necessary information on these items. Additionally, regular written contact is maintained with the various involved departments concerning current activity and status of the assets.

The Controller's Internal Audits Section routinely examines the activities of the Treasurer's office including quarterly verification of cash on hand. In addition, an outside major accounting firm audits Treasury Division's activities in connection with the publication of the Controller's Annual Financial Statements.

The Treasurer works with the Controller, Legal Counsel, financial advisors and other departments in connection with the issuance of various bond issues. During FY 1993-94, \$ 35,000,000 taxable general obligation bonds were issued for the Seismic Safety Loan Program, 1994 Series A. These bonds were fully registered in the name of Cede & Co. as nominee of the Depository Trust Company and, therefore, available to the ultimate purchasers only under the book entry system.

Tax and Revenue Anticipation Notes (TRANS), payable in Fiscal Year 1994-95, in the amount of \$ 325,000,000, were also issued in Fiscal Year 1993-94.

Additional responsibilities include monitoring absent heir deposits and payments pursuant to State Probate Code 11850; processing and reconciling street improvement deposits and payments authorized under the 1934 Street Improvement Ordinance; and performing Trustee duties in connection with deferred payment settlement trust funds resulting from large claims against the City.

TREASURER'S CASHIER SECTION:

This section is responsible for the:

- Receipt of all City and County monies and checks, either through direct bank deposits, lockbox operations or Treasurer's receiving window
- Payment of all Controller checks (warrants) through the Department's Clearing House Bank and Cashier windows
- Reconciliation of the above receipts and disbursements with total cash, on a daily basis
- Daily and monthly reconciliation of Treasurer's checking accounts
- Daily input and detailed reconciliation to FAMIS (Financial Accounting and Management Information System) reports

All checks received through the Treasurer's Receiving window are encoded and microfilmed before they are deposited in the bank. Internal control is achieved by division of duties between receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks, and the accountants.

The primary objective of the Cashier Section is to process and account for the receipt of collections, departmental deposits, and disbursements made through the Cashier, by the close of the same business day. The Cashier Section accomplished this objective during the fiscal year.

In 1993-94, over 2,152,000 checks (warrants) were processed - an increase of 3.5% over last year, while total disbursement dollars increased by 6%.

Total receipts amounted to \$ 4.3 billion while disbursements totaled \$ 3.9 billion resulting in a June 30, 1994 cash and equity balance of \$ 2,212,689,100.

In an effort to revise and streamline the collections, deposits, and check reconciliation processes so that these can be more effective and efficient, extensive efforts and resources have been invested in automation. Consequently, several milestone events occurred in the recent history of the Cashier Section and they are listed and described below.

<u>Date</u>	<u>Event</u>	<u>Benefit/Impact</u>
November, 1980	Arrival of the NCR Remittance Processing System	Enables cashiers to encode checks for direct remittance to the banks. This process provides earlier investment of funds for higher interest earnings and reduction in bank costs.
September, 1982	Expansion of the NCR Remittance System	Allows cashiers to encode and process redeemed and mutilated checks (warrants). This process creates a computer tape of cashed checks (warrants) whose data are entered directly into the Warrant Reconciliation. This eliminates the necessity of parceling out the work to the Controller's ISD personnel.
1990	Installation of a replacement NCR Remittance Processing System	Replaces obsolete equipment with a faster and more efficient PC/LAN based system that permits cashiers to produce diskettes from which data can be transmitted electronically to our main frame data bases. This speeds up the processing of checks (warrants) and remittances and eliminates the need to create computer tapes for the IBM mainframe.
1992	Enhancements to NCR Remittance Processing	Replaces OCR scanners and journal to enhance accuracy and speed of printers and modifies software to enhance collection process.
1993	Addition of personal computers (PC's) to accelerate posting.	Installation of additional PC's for cashiers' use to enhance and accelerate posting of collections to individual accounts.

INVESTMENT SECTION

The goal of the Investment Section is to administer and control the investment of all monies in the Treasurer's custody that are not required for payment of current obligations. Its purpose is to maximize interest income while preserving the liquidity and safety of the principal. Its objective is to maintain all surplus funds in investments that can be easily monitored and liquidated.

The Investment Section has consistently demonstrated prudent portfolio management with excellent results. The portfolio performance for FY 93-94 is listed below:

Portfolio Performance:

Total interest received	\$ 105,985,586
-------------------------	----------------

Total net earnings	\$ 109,091,268
--------------------	----------------

Average daily portfolio balance	\$ 2,063,517,964
---------------------------------	------------------

<u>Earned Interest Yield</u>	<u>5.287%</u>
------------------------------	---------------

Fiscal year-end portfolio balance	\$ 2,197,178,995
-----------------------------------	------------------

MARKET VALUE (as of 6/30/94) *	\$2,192,887,160
--------------------------------	-----------------

*plus accrued interest of \$ 28,218,616

Comparison Yields

	FY 93-94
Average 90 day treasury bills	3.340%
City of Los Angeles	4.780%
Los Angeles County	3.640%
State Local Agency Fund	4.380%

Many of the Bond Funds managed by the Investment Section are subject to the Tax Reform Act of 1986 which strictly limits arbitrage profits that can be enjoyed by the City and County of San Francisco. Excess profits generated by our prudent investment of these funds, resulted in the City sending \$ 2,663,100 to the Federal Government (which should help to reduce the federal deficit.)

Financial Service Subscriptions:

The Investment Section subscribes to the following computerized financial services:

- Moneymax
- Telerate Matrix System
- Dow Jones Capital Markets
- Technical Data
- Money Market Observer
- Ramirez Capital
- Thompson Financial
- Various institutional data banks
- Bloomberg Systems
- Lehman Brothers
- R.H. Wrightson

In addition, direct wire lines are maintained by investment houses (primary government dealers) which enable the Chief Investment Officer to maximize interest income and earned interest yield, through rapid competitive bidding, as reflected in the schedule of Portfolio Statistics. The installation of personal computers (PC's) along with appropriate modems allows the investment staff to retrieve daily bank balances and supporting reports. Further, the PC's enable more sophisticated trend analyses which assist in future investment decisions. The Telerate Matrix and Bloomberg System provide instantaneous live electronic monitoring of the domestic fixed income markets.

The implementation of direct bank deposits during the early 1970's, whereby departments deposit their receipts directly to local branches of Bank of America, the City and County's concentration bank, continues to accelerate cash flow into the Treasury. Lockbox procedures are in effect for processing invoices, receipts, and Municipal Court parking and traffic citation receipts. Tax collection receipts, and other city department receipts, are received for processing through the NCR Remittance Processing System for direct bank remittance. These procedures provide early deposit of receipts plus reduced bank charges.

The Investment Staff continues to monitor and invest all funds that flow through the remittance processing system by electronic access. All funds are transferred by Fed-wire to the concentration accounts for Controller disbursement or Treasurer investment.

Besides the aforementioned procedures, credit cards are accepted for payment of traffic fines, towing and storage fees, and misdemeanor bails. This process has resulted in the reduction of bad checks, acceleration of payments and immediate availability of funds for investment.

Cash Manager:

The Cash Manager assists the Chief Investment Officer. The Cash Manager's primary responsibilities include:

- Ensuring compliance with Charter mandate that all revenues deposited with City departments are received and receipted in the Treasurer's Office by the next business day.
- Analyzing cash flow throughout the City and developing a cash flow system.
- Initiating and modifying cash flow procedures.
- Establishing and maintaining banking relationships.
- Advising and making recommendations to City and County department personnel regarding cash management procedures and policies.
- Assisting the Chief Investment Officer in administering cash management and investment policies.
- Managing the bond and coupon redemption program.
- Co-administering the bond arbitrage rebate program with the Controller to ensure accurate records are maintained, proper procedures are followed, and timely payments are made to the Federal Government.

Extended application of these procedures to other programs is an ongoing process and continues to increase revenues and provide improved taxpayer assistance while containing costs.

In FY 1993-94, the Cash Manager continued to perform the function of redeeming general obligation bonds and coupons and registered bonds and bond interest.

Significant events described below, led to the reorganization of the bond and coupon section, which received, verified, and paid all matured bonds and coupons (bond interest) either locally or through the Depository Trust Company.

<u>Date</u>	<u>Event</u>
March 19, 1991	Fiscal agent Citibank in New York resigned as co-paying agent. The City and County of San Francisco Treasurer Bond & Coupon Section became the sole paying agent for the redemption of all bearer bonds and coupons maturities until April 1, 1992.
April 1, 1992	Bank of America's Corporate Trust Department became the paying, transfer, and registration agent for all general obligation bearer bonds issued prior to 1986.
April 1, 1992	Bond and Coupon Supervisor retired from City service, leaving the position vacant for the entire FY 92-93.
July 1, 1992	Bond and Coupon Section was eliminated and the function assigned to the Investments Division.

Through perseverance and dedication to quality control, the Cash Manager, with the assistance of the paying and transfer agent, achieved all the objectives of the section. During FY 93-94, bonds and coupons amounting to \$ 20,664,191 were redeemed. All matured bonds and coupons presented for redemption by person or mail were promptly and satisfactorily paid. In FY 93-94, there were 40 transactions involving new registrations and re-registrations of general obligation bonds. Book entry bond redemption and interest payments amounting to \$ 59,445,363 were wired to the Depository Trust Company.

The South Africa Divestment Ordinance, effective March 10, 1986 and amended in 1990, had been anticipated by the Treasurer and Investment Section staff and consequently, there were no investments in the portfolio which are in conflict with the City's divestment policy. Subsequent to the enactment of the ordinance, and after its amendment in 1990, all financial institutions were sent appropriate Affidavits and/or Declarations to comply with the ordinance provisions. All institutions with City deposits had returned signed Affidavits/Declarations. Additionally, all financial transactions were reviewed to be sure that we are in compliance with the ordinance.

On November 12, 1993, the South Africa Divestment Ordinance was repealed, under Ord. # 357-93.

All financial institutions have been advised of the City's MacBride Principles Ordinance which pertains to fair employment practices in Northern Ireland. It is the policy of the Treasurer to support these principles and encourage financial institutions to assist those companies which abide by the principles.

PORTFOLIO STATISTICS

	FY 89-90	FY 90-91	FY 91-92	FY 92-93	FY 93-94
ALL FUNDS					
Interest Received	\$106,948.770	\$106,576,074	\$117,128,173	\$102,164,657	\$105,985,586
Total Interest Earned	\$109,214,370	\$112,559,562	\$112,397,920	\$99,750,412	\$109,091,268
Average Daily Balance	\$1,282,031.366	\$1,373,109,890	\$1,442,817,318	\$1,589,402,680	\$2,063,517,964
Earned Interest Yield	8.52%	8.20%	7.77%	6.28%	5.287%

POOLED FUNDS

Interest Received	\$77,934.785	\$78,051,292	\$69,712,226	\$63,351,155	\$70,094,203
Total Interest Earned	\$80,308,152	\$79,980,284	\$66,858,500	\$63,702,410	\$71,308,709
Average Daily Balance	\$959,098,142	\$975,822,186	\$823,933,659	\$892,808,190	\$1,194,904,865
Earned Interest Yield	8.37%	8.20%	8.09%	7.14%	5.968%

¤ Tax Collection Division ¤

TAX COLLECTION DIVISION

The Office of the Tax Collector receives and deposits all monies for taxes, licenses and other fees due the City and County of San Francisco under the direction of the Treasurer, in accordance with the provisions of the Charter and the City's Administrative Code. It also provides the collection of delinquent accounts for other City Departments. In order to be effective, this work requires coordination with other agencies of the City and County, the Board of Supervisors and the State of California, as well as other tax administrators and policy bodies.

The office aims to provide an equitable and efficient collection of property taxes, business taxes, licenses, and miscellaneous fees in accordance with State Law and City ordinances, and at the same time, maximize investment return by expeditiously processing and depositing receipts.

The Tax Collector supervises eight operating sections: Administration, Cashier, Property Tax (Real Estate), Business Taxes and Audits, Delinquent Revenue Collection, Investigations, Legal, and License. The sections have the following basic goals:

- to provide centralized administrative services for the department and to provide support of divisional program activities.
- to provide centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.
- to maintain a post-audit program to determine the accuracy of taxpayer reports and to levy additional taxes, if the audit indicates an underpayment.
- to administer and collect the Business Tax, the Payroll Expense Tax, Parking Tax, Hotel Tax, Utility Tax, Stadium Admission Tax, and Transient Occupancy Tax.
- to provide centralized collection and resolution of delinquent accounts in excess of 90 days for all City and County of San Francisco departments except those under the jurisdiction of the Public Service Enterprises.
- to collect fees for Licenses and Permits which are required by Municipal Code and to collect the Dog License fees.

The functions of each section are described in more detail in the body of this report. The narratives also include individual program goal statements directed toward the achievement of timely and quality public service. Together they express the main objective of the Tax Collector's Office: to maximize the City and County of San Francisco's revenues in order to finance services and functions.

Highlights For FY 93-94

The Tax Collector's Office was heavily impacted by the loss of twenty-one positions in a very short period of time. Seven were lost as a result of the early retirement program offered to employees after the voters passed Proposition "A". An additional fourteen were lost at the very end of FY 92-93, as part of budget reductions that resulted from a city-wide budget deficit. The full impact of the loss would be felt in FY 93-94.

However, the Tax Collector's Office began to make restructuring plans as FY 92-93 drew to a close, in anticipation of the difficulties and possible revenue shortfalls that would result from staff shortages. A complicating factor was a significant increase in program scope and/or workload. This was the result of approval by the Board of Supervisors, over a 14 month period, of 16 new local ordinances, including business tax ordinance changes and new revenue measures, without a commensurate increase in staffing.

Highlights of Achievements in Automation

<u>Date</u>	<u>Event</u>	<u>Benefit/Impact</u>
1987	Wang VS6 mini-computer installed for Legal and Administration sections.	Formerly manual financial operations, including budget preparation, automated for the first time.
1988	Wang mini-computer upgraded to VS5000 and expanded to serve users in Business Tax, Property Tax, License, and Delinquent Revenue sections.	Staff no longer competing for use of a limited number of IBM terminals; desktop workstations permit faster access to tax files, resulting in greatly improved public service and higher volume of accounts processed.
1989	A second Wang VS5000 mini-computer was installed in new Business Tax office at 25 Van Ness.	Full automation services provided for second location with no increase in M.I.S. staffing.
1990	An Interactive Voice Response (IVR) was installed for use of property taxpayers.	Improved ability to handle high call volume during peak periods; callers helped immediately instead of getting a busy signal for long periods.
	A new generation of NCR remittance processor replaced the original, ten-year-old equipment.	Obsolete equipment replaced with faster and more efficient processor, resulting in much quicker check deposits, both daily and during peak periods.
1991	Ten PC-based cashiering workstations are installed at all Cashier windows and connected in a local area network (LAN).	Faster payments and shorter lines for all taxpayers based on high-speed automated cashiering operation.
1992	Business Tax System (BTS) implemented after a five-year development cycle.	First comprehensive on-line database of business tax accounts with all associated financial and business history available for research and reporting.
	Began plans to migrate Wang users to PC-based local area networks (LAN).	Industry-standard tools, faster access to applications and ability to share information among applications and among end users from workstation to workstation.

ADMINISTRATION SECTION

Staff continued to provide centralized administrative support services to the Department in the areas of budget and finance, data processing and telecommunications, payroll, personnel, equipment and facilities maintenance, and general office administration.

Management Information Services

Staff in the Tax Collector's Office continue to utilize two Wang VS 5000 mini-computers for automation and telecommunication services. However, the M.I.S. staff has positioned the office for a migration to local area networks with industry-standard hardware and software. The access to more powerful computing tools is expected to enhance the productivity of the staff, as well as reduce both their learning curve and the department's retraining costs, since most new staff members are already familiar with PC-based word processing and spreadsheet products.

Administration

Administrative staff continued throughout the year to handle all administrative services, including budget and financial activities, payroll and personnel services, equipment and facilities maintenance, operations analysis, and technical assistance to all staff. The primary goals of the Administration section continue to be:

- to provide data processing and administrative support services to all staff in a comprehensive and efficient manner as a means of increasing their productivity and improving service to the public.
- to provide revenue-generating staff with automated tools that will enable them to spend less time on clerical and document-processing functions and more time on revenue-generating activities.
- to follow a value-added strategy for the division by utilizing data processing and telecommunications systems that follow industry standards and will provide a flexible base for future growth and development.

CASHIER SECTION

The Cashier Section receives, and accounts for, all payments of taxes, licenses, and other revenues, whether taken over the counter in cash or by check, or received through the mail. The section maintains internal control of all payments by a system of numeric identification data, along with batch data, and microfilms the checks connected with each payment.

The Cashier Section also opens, sorts, and processes all mail received by the Tax Collector's Office. All checks with proper supporting documents are processed immediately. Checks without proper supporting documents, or which need verification, will undergo standard check control processing. This procedure ensures that all payments are correctly identified and recorded.

During FY 93-94, the Cashier section continued to improve and expand on its system of a Local Area Network (LAN) of eleven workstations. Monthly and Year-to-date statistical reports have been added to the system along with the automatic generation of daily statistical and management reports. These functions greatly contributed to the prompt and efficient deposit of receipts. The processing of all of these items was performed by a staff of nine permanent employees. Additional temporary employees, both cashiers and clerks, were hired during the peak periods of Property Tax and other major collections.

In the coming fiscal year, the section will continue plans to connect all workstations to the IBM mainframe through a telecommunications link, in addition to the cashiering workstations and the remittance processing LAN's. This configuration will enable all aspects of the Tax Collector's cash management system to have direct access to the files on the IBM mainframe.

The total revenue processed by the Cashier's staff increased by \$ 80,628,043, or 7.4%, for a total of \$ 1,167,731,863. The total number of processed items was 592,459. This is an increase of 4.6% in the number of items processed as compared to 566,546 in FY 92-93. A record for amount of revenue processed in a single day -- \$ 86,990,969.40 -- was set by the Cashier Manager's staff on December 10, 1993.

Retail Sales and Local Transportation Tax

The State of California, acting since 1958 as the agent of the City and County of San Francisco, collects the San Francisco Uniform Sales and Use Tax and returns revenues minus costs to the City and County. The State collected an additional \$ 20,921,778 for deposit in the Local Transportation Special Fund. Together, these items represented a total of \$ 105,001,531 in additional tax revenue for the City and County of San Francisco.

Note: The Cashier's figures do not match those of the Property Tax and Business Tax sections. The Cashier's figures represent the amounts originally collected, before adjustments, whereas the other two sections' figures, as per the notes on their respective statistical tables, represent the amounts as adjusted by transfers, duplicates, and overpayments.

Cashier's Section -- Statistical Activity

Comparison of Collections

TYPE OF COLLECTION	FY 89-90		FY 90-91		FY 91-92		FY 92-93		FY 93-94	
	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed
Real Estate Tax	\$437,975.271	290,401	\$482,788.235	273,804	\$522,788.612	290,751	\$571,621.411	303,192	\$587,439.946	310,191
Real Estate Supplemental Tax	21,726.994	27,496	16,107,712	18,013	13,600,711	18,044	11,776,370	16,007	10,060,247	14,507
Unsecured Personal Property Tax	54,928.464	36,162	59,244,238	38,826	63,489,790	36,242	63,261,672	37,108	66,534,442	38,824
UPP Supplemental	1,679,869	4,740	1,241,178	1,722	3,009,329	1,440	881,458	1,255	388,836	907
Business Tax	20,274,862	4,310	21,151,144	4,765	17,902,134	4,398	17,755,971	34,595	24,946,252	41,011
Business Registration	8,784,930	35,907	7,477,945	45,811	7,139,598	41,260	7,868,517	45,021	7,928,377	56,563
Payroll Tax	120,631,779	10,702	126,636,822	11,345	121,379,306	11,734	129,756,013	18,800	149,900,725	17,900
Hotel Tax	63,407,086	1,496	69,345,551	1,504	71,396,499	1,447	75,689,932	3,067	95,901,142	5,072
Parking Tax	22,615,220	1,307	22,317,454	1,271	24,893,230	1,160	27,936,283	1,316	34,758,055	2,590
Utility Tax	23,122,816	277	24,886,390	274	27,358,813	282	36,350,700	415	43,543,584	630
Stadium Tax	544,985	7	417,674	12	563,283	9	1,296,235	10	2,276,205	18
Vehicle Renter *	--	-- *	-- *	-- *	-- *	-- *	-- *	-- *	813,900	36
Licenses	8,852,573	181,489	8,960,207	173,026	8,753,905	107,718	8,982,099	85,130	9,645,558	84,399
Parking Meter **	9,481,193	245	9,864,794	249	--	-- **	-- **	-- **	-- **	-- **
Retail Sales & Local Transport.	106,022,827	24	111,447,267	24	104,515,882	24	105,001,531	24	106,336,302	24
Roofers Fees	13,110	124	12,300	94	12,933	110	11,313	99	11,160	98
Tax Redemption	16,934,479	6,170	18,229,944	5,775	22,739,713	5,485	26,590,416	5,366	24,094,271	5,810
Delinquent Revenue	1,432,819	14,955	3,434,577	13,643	3,100,024	12,990	3,098,606	11,859	3,046,444	10,874
Voluntary Art Fund	50,887	2,603	46,763	2,552	54,869	3,076	52,079	2,740	51,218	2,448
Other	2,937,880	572	4,714,388	651	4,135,014	624	173,214	542	45,199	557
TOTALS	\$921,418,044	618,987	\$988,354,583	593,361	\$1,016,833,645	536,794	\$1,087,103,820	566,546	\$1,167,731,863	592,459

* New tax in Fiscal Year 93-94.

** Parking meter collections transferred to Department of Parking and Traffic effective 7/1/91.

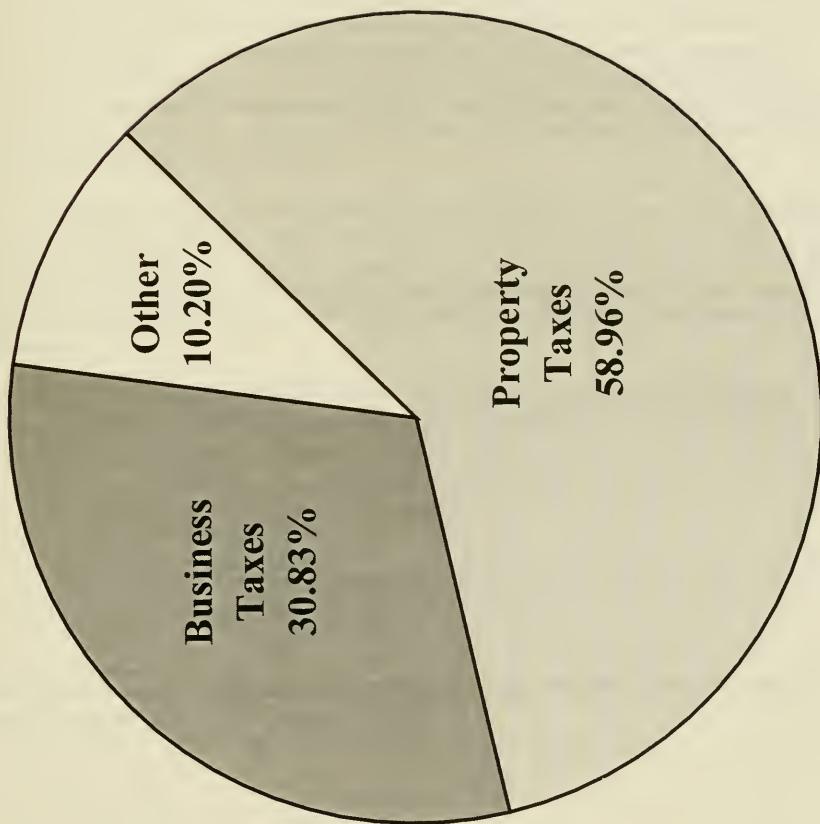
Sources of Revenue - FY 93-94

Treasurer/Tax Collector Department

CATEGORIES	Revenue	Percentages
<u>Property Taxes</u>		
Real Estate Tax	\$587,439,946	50.305
Real Estate Supplemental Tax	10,060,247	0.862
Unsecured Personal Property Tax	66,544,442	5.699
UPP Supplemental	388,836	0.033
Secured Tax Redemption	24,094,271	2.063
Total Property Taxes	<hr/> \$688,527,742	<hr/> 58.962
<u>Business Taxes</u>		
Business Tax	\$24,946,252	2.136
Business Registration	7,928,377	0.679
Payroll Tax	149,900,725	12.837
Hotel Tax	95,901,142	8.213
Parking Tax	34,758,055	2.977
Vehicle Renter	813,900	0.070
Utility Tax	43,543,584	3.729
Stadium Tax	2,276,205	0.195
Total Business Tax	<hr/> \$360,068,240	<hr/> 30.836
<u>Other</u>		
Licenses	\$9,645,558	0.826
Retail Sales & Local Transport.	106,336,302	9.106
Roofers Fees	11,160	0.001
Delinquent Revenue	3,046,444	0.261
Voluntary Art Fund	51,218	0.004
Other	45,199	0.004
Total All Other	<hr/> \$119,135,881	<hr/> 10.202
Grand Total	<hr/> <hr/> \$1,167,731,863	<hr/> <hr/> 100%

(See graph on p. 24)

Sources of Revenue
Treasurer/Tax Collector's Office
FY 93-94



- See page 23 for detail.

PROPERTY TAX SECTION

The Property Tax Section collects, records, and reports payments of secured and unsecured property taxes and special assessments. The section has two major units: Real Estate and Tax Redemption Bureau.

Real Estate Unit

This unit began the tax collection process with the mailing of property tax bills. It dispatched more than 229,000 bills, including more than 49,000 unsecured tax bills, approximately 10,000 supplemental tax bills, and 822 escape bills, throughout the year. In FY 93-94, it made its biggest posting in mid-October, as it mailed approximately 170,000 secured property tax bills. This event took place two weeks earlier than the date required by the State Revenue and Taxation code of November 1. The nature of both the unsecured and supplemental tax bills required individual monthly mailings rather than one big mailing as was the case for the regular secured tax roll. There was a sharp drop in the number of supplemental tax bills issued, due to the decrease in property assessed value.

In FY 93-94, the Property Tax Section received more than 399,000 tax payments and collected \$ 679,247,453 in tax revenues. The NCR remittance processors processed most of these payments electronically and the Cashier processed the rest through her cashing LAN (Local Area Network) system. Regardless of the way in which they were handled, these payments must be recorded and reconciled. Afterwards, this section prepared the collection reports promptly and efficiently.

The public made more than 200,000 inquiries -- a 16% increase -- either by mail, telephone, or walk-ins. Additionally, the Automated Information Line recorded 45,269 calls, a 27.7% increase. Most of these inquiries involved:

- duplicate tax bills
- explanations of tax bills
- refunds of duplicate/overpayments
- change of mailing address

The increase in number of inquiries was a direct result of the considerable increase in taxpayers' requests for reassessment of their property value.

Assessment oversights sometimes resulted in corrected tax bills being issued. The tax liability on these corrected tax bills could be either over- or under-stated. If it was the former, the Tax Collector had to refund the difference to the taxpayer. Otherwise, the difference had to be remitted to the Tax Collector.

Objectives:

The Property Tax Section set and met the following objectives:

- To complete mailing of all current year secured tax bills by November 1.
- To process within three days all secured payments received on or before December 10 and April 10.
- To post and reconcile within sixty days all secured payments received on or before December 10 and April 10.
- To post and reconcile within forty-five days all unsecured payments received on or before August 31.
- To provide a list of delinquent unsecured accounts as of August 31 to the Investigation Section by October 15.
- To mail 100% of non-penalty courtesy letters within seven days of receipt from Cashier.

Tax Redemption Unit

This unit processed and computed payments of prior years' delinquent secured property taxes. It maintained complete listings and accounting records of prior years' delinquent property taxes, penalties, costs, redemption penalties and fees. It also maintained complete records on taxes being paid under the five-year installment payment plan. In FY 93-94, taxpayers redeemed 4,556 tax-defaulted parcels to produce a tax revenue of \$ 23,659,235 -- a 9% decrease from previous years' revenue collections.

An on-line automated financial system maintained the accounting records for delinquent taxes outstanding and collected. It automatically accumulated the tax liability on a monthly basis until the property was either redeemed or sold. It has inquiry, update, and payment recording capabilities.

The unit received a high volume of inquiries from the following entities:

- general public
- title insurance companies
- mortgage companies
- savings and loan companies
- banks
- tax service agencies

Most inquiries involved the:

- interpretation of the State Revenue and Taxation Code
- current tax status
- computation of taxes and penalties

To perform these functions effectively, this unit had fostered a close relationship with the offices of the City Controller, Assessor, Recorder, and State Controller.

The Tax Redemption Unit also prepared lists of properties that had become tax-defaulted and, consequently, were subject to sale. In compliance with state law, the Tax Redemption Unit published the Delinquent List in September 1993 as well as the Notice of Impending Tax Default and the Notice of Power and Intent to Sell Tax-Defaulted Property in June 1994 in the local newspaper.

Property Tax Section -- Statistical Activity

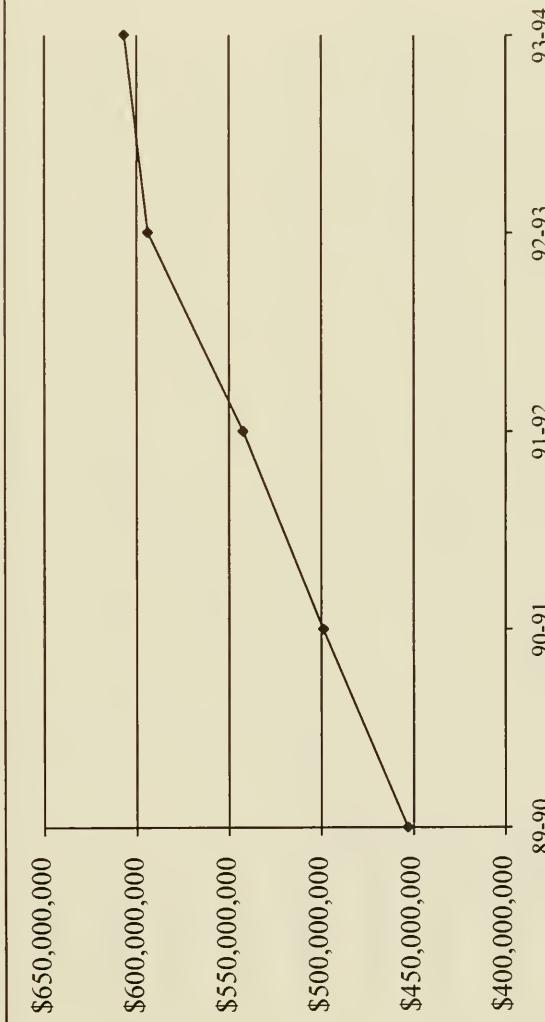
Comparative Tax Collection Report

TYPE OF COLLECTION

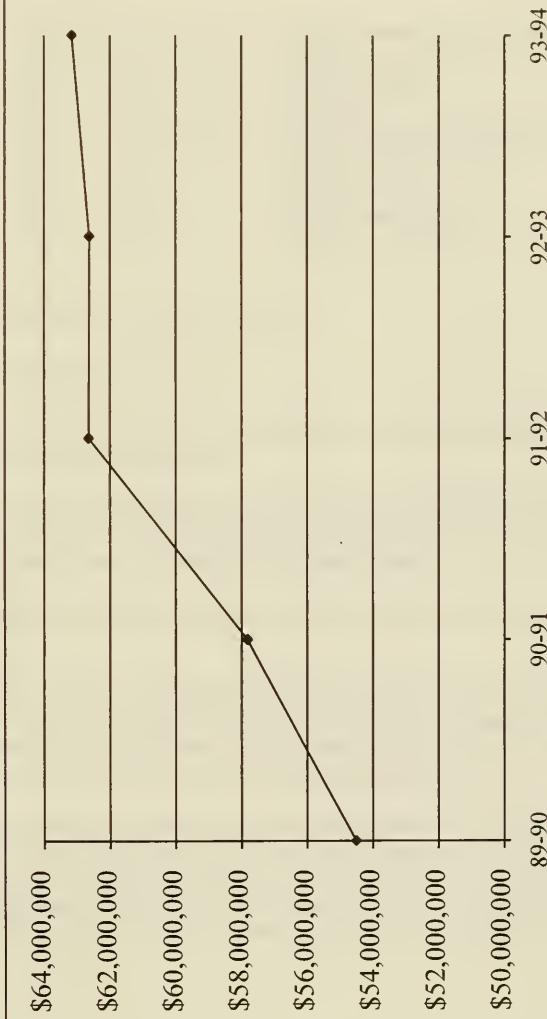
	FY 89-90	FY 90-91	FY 91-92	FY 92-93	FY 93-94
Secured Property					
Current Year	\$436,044,260	\$481,122,462	\$519,914,010	\$567,975,523	\$583,074,455
Prior Year Redemptions	16,964,068	17,774,089	22,477,666	25,800,515	23,659,235
TOTAL SECURED	\$453,008,328	\$498,896,551	\$542,391,676	\$593,776,038	\$606,733,690
Unsecured Property					
Prepaid	\$403,628	\$457,791	\$544,275	\$350,950	\$763,982
Current Year	52,265,190	55,453,458	57,974,827	59,240,068	60,940,515
Prior Years	1,832,596	1,907,576	4,117,843	3,028,039	1,447,582
TOTAL UNSECURED	\$54,501,414	\$57,818,825	\$62,636,945	\$62,619,057	\$63,152,079
Supplemental					
Secured	\$20,263,873	\$14,462,351	\$13,054,949	\$11,085,641	\$9,024,463
Unsecured	1,584,762	1,150,217	2,981,912	854,742	337,221
TOTAL SUPPLEMENTAL	\$21,848,635	\$15,612,568	\$16,036,861	\$11,940,383	\$9,361,684
TOTAL COLLECTIONS	\$529,358,377	\$572,327,944	\$621,065,482	\$668,335,478	\$679,247,453

Amounts in the Cashier's Report are before adjustments. Amounts in this report are adjusted due to transfers, duplicates and overpayments thus differing in affected categories from the Cashier's Report.

Secured Property Tax



Unsecured Property Tax



BUSINESS TAX SECTION

The Business Tax Section is responsible for implementing the following tax ordinances of the City and County of San Francisco:

City and County of San Francisco Municipal Code, Part III, Revenue and Finance:

Article 12-A	Sec.	901 et. seq.	Payroll Expense Tax Ordinance
Article 12-B	Sec.	1001 et. seq.	Business Tax Ordinance
Article 10	Sec.	701 et. seq.	Utility Users Tax
Article 9	Sec.	601 et. seq.	Parking Tax
Article 7	Sec.	501 et. seq.	Transient Occupancy (Hotel) Tax
Article 11	Sec.	801 et. seq.	Stadium Admission Tax
Article 12-B	Sec.	1002.9	Registration Fee
Article 12-B	Sec.	1007.1	Roofers Vehicle Tag Fee
Article 19	Sec.	1901 et. seq.	Vehicle Renter Tax

The Vehicle Renter Tax is a new tax in Fiscal Year 93-94.

The missions of the Business Tax Section are :

- To provide taxpayers with information and assistance in registering their business, in filing their returns, and other tax matters.
- To maintain taxpayers accounts and files on the automated tax system known as the Business Tax System (BTS). The BTS is programmed to generate annual billings, account balance updates and non-compliance tax determinations.
- To perform compliance audits and to promote taxpayer compliance with the City's tax ordinances.

In addition to local audits, a program to audit those businesses with offices in major cities outside San Francisco was also conducted in FY 1993-94 with very effective results. Three teams of auditors were sent to New York, Chicago, and Dallas/Houston, which generated deficiency billings in excess of \$ 672,047, at a cost of approximately \$ 26,850.

The Business Tax Section continues to be involved in the various phases of development and enhancement of the Tax Collector's Business Tax System. The system was first implemented in December, 1991. In partnership with the Controller's Information Services Division, the unit has provided a significant number of staff-hours to implement the BTS. Now that the core system is in place, the Business Tax staff will be returning to other duties, particularly field audits.

When fully completed, the project is expected not only to improve the tax collection function and enhance the ability of the Tax Collector's Office to deliver taxpayer services, but also to provide more comprehensive management reports and statistical information to those senior managers who make decisions and formulate policies for the City.

Audits

Although the Business Tax Section experienced a substantial decline in audit deficiency billings from FY 90-91 through FY 92-93 due to staff reductions, long-term vacancies designed to effect salary savings, and the installation of an automated tax collection system, this trend was reversed in FY 93-94 as a result of staff restructuring which enabled audit staff to perform more effective field audits, as well as our on-going, out-of-state audits..

Business Tax Section -- Statistical Activity

TAX COLLECTION

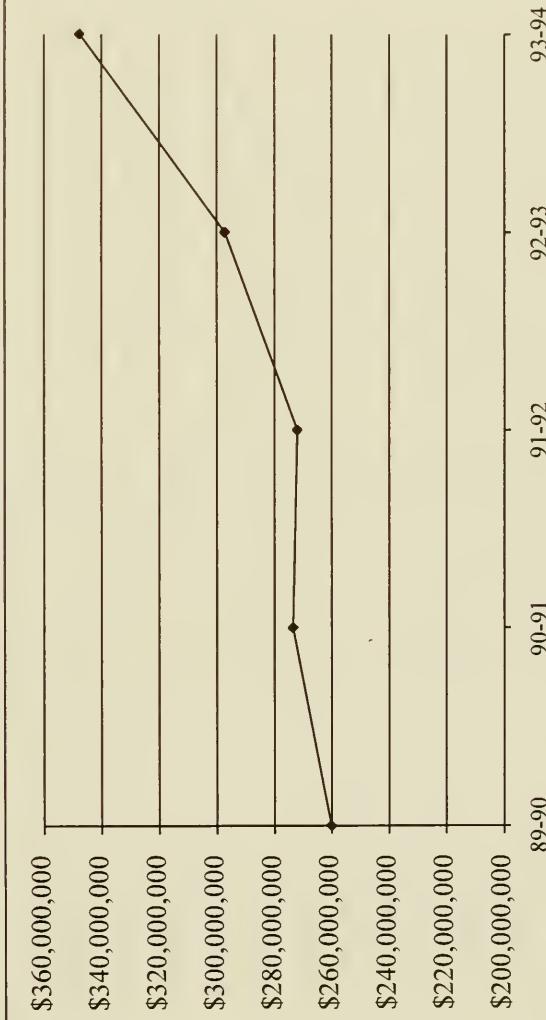
	FY 89-90	FY 90-91	FY 91-92	FY 92-93	FY 93-94
Payroll/Business Tax	\$140,906,641	\$147,787,967	\$139,281,440	\$147,511,982	\$164,581,432
Utility Tax (1)	23,619,418	25,531,653	28,104,704	37,273,581	34,740,983
Parking Tax (1)	22,853,357	22,873,415	25,470,022	28,495,139	43,543,585
Transient Occupancy (Hotel) Tax	63,407,086	69,345,551	71,396,499	75,689,933	94,538,696
Stadium Tax	544,985	417,674	563,283	1,296,235	2,216,206
Registration Fee	8,784,930	7,477,945	7,139,598	6,868,518	7,928,487
Roofers Vehicle Tag Fee	13,110	12,300	12,933	11,313	11,340
Vehicle Renter Tax *	-- *	-- *	-- *	-- *	813,900
TOTAL	\$260,129,527	\$273,446,505	\$271,968,479	\$297,146,701	\$348,434,629

* New tax in FY 93-94.

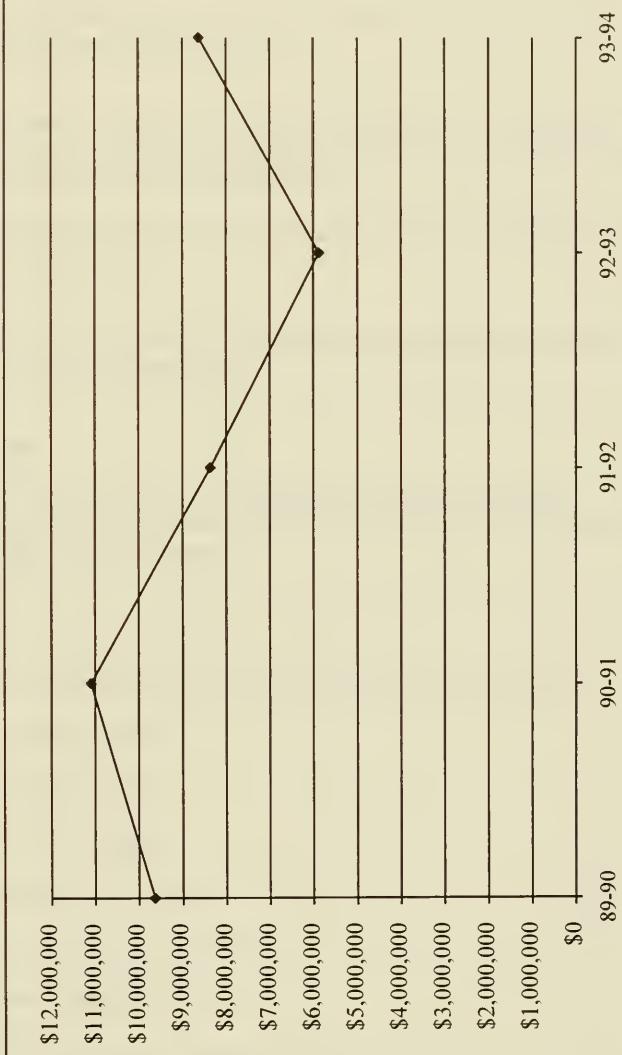
AUDIT RESULTS:

	FY 89-90	FY 90-91	FY 91-92	FY 92-93	FY 93-94
Audit Hours	11,767.0	10,326.0	4,865.0	2,666.0	5,625.0
Audits Completed	1,011.0	898.0	366.0	209.0	386.0
Average Hours/Audit	11.6	11.5	13.3	12.8	14.6
Average Billings/Audit	\$9,532	\$12,351	\$22,820	\$28,106	\$22,334
Average Billings/Hour	\$819	\$1,074	\$1,717	\$2,203	\$1,533
Audit Deficiency Billing	\$9,636,480	\$11,090,780	\$8,352,042	\$5,874,170	\$8,621,045

Business Taxes



Audit Billings



BUREAU OF DELINQUENT REVENUE

The Bureau of Delinquent Revenue provides two types of collection services to the various departments of the City and County of San Francisco.

- It accepts accounts from departments (other than those under the jurisdiction of Public Service Enterprises) that are unable to collect their accounts receivable within the 90 days provided by the Administrative Code.
- It researches and collects unpaid fees and taxes by submitting claims during escrow and bankruptcy proceedings.

To perform these functions effectively and efficiently, the Bureau is organized into two units -- Delinquent Accounts and Escrow and Bankruptcy.

Delinquent Accounts Unit

All delinquent accounts referred to the Bureau in accordance with Section 10.38 of the Administrative Code are processed by this unit. Pertinent account information is computerized, reviewed, and sent through the collection process.

Collection Services:

Some of the collection services that the Bureau provides to the various departments are:

- Billing and debt resolution
- Skip tracing bad addresses
- Employment verifications
- Filing creditor claims in Probate
- Filing Workers' Compensation claims
- Small Claims Court representation
- Initiating civil litigation in Municipal and Superior Court

Escrow and Bankruptcy

This unit collects taxes and other accounts receivable when a business or person opens an escrow account or files for bankruptcy.

In escrow situations, funds are put into the custody of a third party until certain conditions are met. Funds necessary to the closure of a real estate transaction are placed in an escrow account. The Bureau submits demands to escrow holders before the sale of any business or real property becomes final in order to maximize the collection potential of taxes and other claims by the City against parties to the transaction. This potential diminishes considerably unless claims are filed promptly.

In Bankruptcy cases, creditor claims must be filed with the bankruptcy courts in a timely manner in order to be valid. Claims filed after the statutory period lack effect and are normally uncollectible.

1993-1994 Year End Summary

The Bureau of Delinquent Revenue has made adjustments for the loss of two (2) collection officers and two (2) clerks over the last two years. Because of staffing shortages, the Bureau is no longer actively pursuing Medi-Cal applications for further revenues for San Francisco General Hospital. It also reduced the Escrow and Bankruptcy Unit to 3 collection officers and will file claims in Bankruptcy Court only on a priority basis.

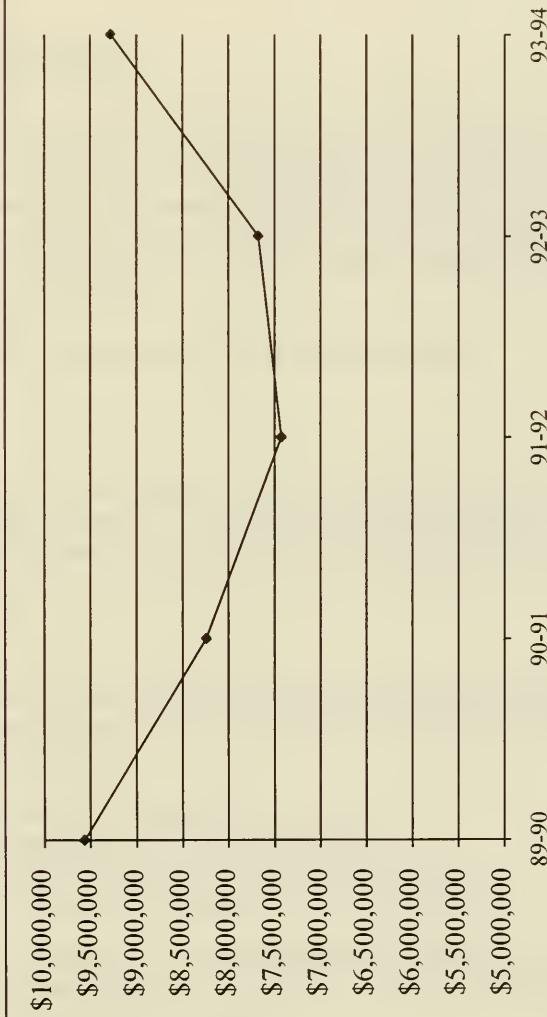
With the adjustments, the Delinquent Account Unit's decrease in cash collections was minimized to \$ 43,834 (1.4%) as compared to the prior fiscal year.

The Escrow and Bankruptcy Unit collections increased by \$ 1,620,359 (\$135%) over the prior year. The increase was caused by claims submitted to the Bankruptcy Court in prior fiscal years and the turnover in businesses due to the poor economy. It is estimated that revenues collected by this unit will level off in the range of \$ 1,200,000 during 1995.

Bureau of Delinquent Revenue -- Statistical Activity

COLLECTIONS	FY 89-90	FY 90-91	FY 91-92	FY 92-93	FY 93-94
Dept. of Public Health	\$2,756,586	\$3,096,546	\$2,718,081	\$2,820,868	\$2,785,974
Contractual Services	394,092	209,408	304,539	170,195	161,865
Payments Direct to Dept. of Public Health	3,229,456	3,213,439	3,051,542	3,374,226	3,413,633
All Other Departments	282,141	128,623	77,407	107,544	98,605
Escrow & Bankruptcy	2,902,166	1,592,272	1,272,482	1,199,975	2,820,334
TOTAL COLLECTIONS:	\$9,564,441	\$8,240,288	\$7,424,051	\$7,672,808	\$9,280,411
OTHER DELINQUENT ACCOUNT DATA	FY 89-90	FY 90-91	FY 91-92	FY 92-93	FY 93-94
Total No. of Outstanding Accts (except outpatient)	13,922	12,105	9,971	7,204	6,296
Total No. of Outpatient Medical Accts	274,093	85,664	101,268	83,584	78,850
Total No. of Cash Collections	14,837	14,975	14,843	12,846	12,197
Total No. of Direct Payments to Dept. of Public Health	1,317	2,335	4,733	3,583	3,078
Total No. of Transfers to Bur. of Delinquent Revenue	62,608	64,347	45,527	38,966	82,209

Bureau of Delinquent Revenue



INVESTIGATION SECTION

The Investigation Section's main responsibility is to ensure that taxpayers comply with the State Revenue and Taxation Code for the County and Local Tax Ordinances of the City. The section operates basically as a support group primarily for the Property Tax, Business Tax, and Legal sections and, secondarily, for the Delinquent Revenue and License sections. Investigation of delinquencies revolves mostly around unsecured personal property taxes of the Property tax Section, and business payroll and gross receipts of the Business Tax Section.

This section is divided into three units, both functionally and physically:

Administrative:

This unit is responsible for all fiscal matters, accounting and financial reports, and clearance of assignments and personnel. It also handles Small Claims Actions, bounced check cases, Business Tax audits, and apartment/condo non-collection delinquencies.

Field:

The field investigators are the ones who have actual face-to-face contact with the taxpayers. They perform a variety of tasks in their efforts to resolve non-compliance issues. Their responsibilities are to:

- locate delinquent taxpayers
- convince them to pay their delinquent taxes
- serve legal documents on behalf of the Legal Section
- assist Business Tax in registering all business accounts

During FY 92-93, the unit lost three senior investigators to early retirement. One senior investigator position has been replaced. This loss of senior personnel has had a marked effect on the unit's collection procedures and results.

Clearance:

This unit's main function is to check all business accounts for any tax delinquencies. All delinquencies must be paid in full before a Business Certificate is issued.

Several major computer programs, which greatly benefit the Investigation Section, were implemented. The columns below list these program names and their benefits.

<u>Program</u>	<u>Benefits</u>
Business Tax System (BTS)	Accelerates searches for payroll and business accounts
TBAI	Automatically calculates and bills late payment penalties and partial payment interest on a monthly basis.
TBAX	Provides instantaneous information on all delinquent tax bills and posting of paid accounts to the taxpayers
ADBX	Provides ability to search for taxpayer by address, DBA, or name.
DEC	Provides access to Department of Motor Vehicle records for additional skip-tracing avenues to locate taxpayers.

The new computer programs have been very successful in helping with the identification of delinquent accounts from one or more prior years. The unit has been empowered to take partial payments on delinquent accounts, which provides taxpayers with an opportunity to make smaller and more frequent payments on delinquent tax bills.

In FY 92-93, even with a sluggish economy, we were able to increase collections, but in FY 93-94, we have had to adjust to the unpleasant reality that many businesses are in extreme difficulty.

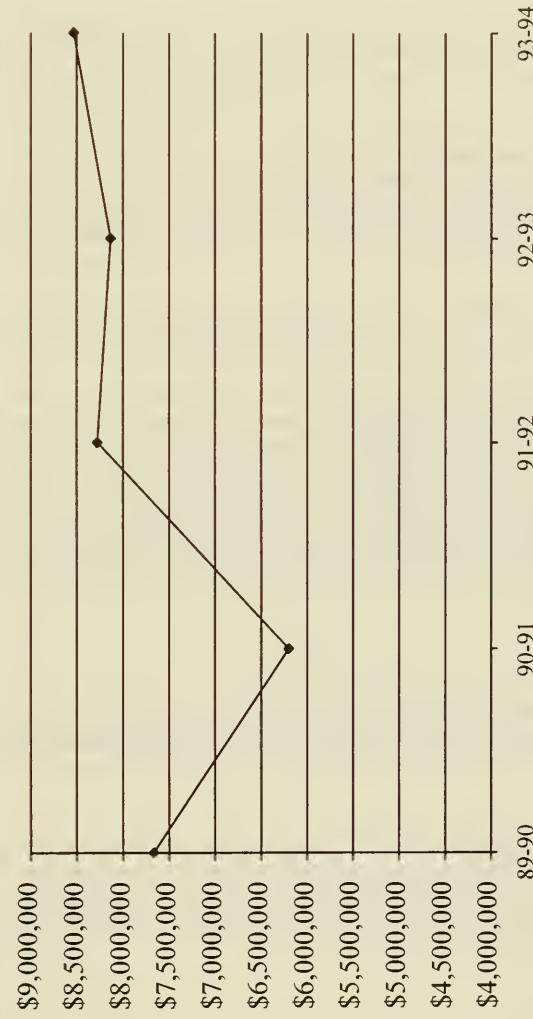
The Investigations section will continue to work on reducing the number of open accounts and minimizing the delinquent tax ratio. The unit's ultimate goal is to reduce delinquencies from the current 5-6% to 1% within five years.

Investigation Section -- Statistical Activity

	<u>FY 89-90</u>	<u>FY 90-91</u>	<u>FY 91-92</u>	<u>FY 92-93</u>	<u>FY 93-94</u>
COLLECTION ACTIVITY					
Collections Made	\$7,229,716	\$5,288,837	\$7,373,386	\$5,819,312	6,465,982
Clearance Unit Collection	\$435,962	\$906,387	\$904,677	\$997,871	2,067,475
Tax Default Sale	..	..	..	\$1,315,694	..
TOTAL	\$7,665,678	\$6,195,224	\$8,278,063	\$8,132,877	\$8,533,457
 Calls Made	13,860	15,086	14,390	14,983	18,123
Average Collections per call	\$553	\$411	\$575	\$455	357
 CASES FILED & INSTITUTED					
Small Claims Court	22	16	71	70	106
Municipal/Superior Court	20	13	20	1	0
TOTAL ACCOUNTS SUBMITTED FOR SUIT	42	29	91	71	106
 INVENTORY OF ACCOUNTS					
Accounts open at Start of Year	48,345	59,936	*67,051	*89,942	92,774
Accounts Received During Year	22,668	17,686	27,565	7,469	14,022
Subtotal	71,013	77,622	94,616	97,411	106,796
Accounts Closed During the Year	(11,677)	(10,571)	(12,285)	(4,637)	10,160
Accounts Open at End of Year	59,336	*67,051	*82,331	92,774	96,636
 CLEARANCE UNIT INVENTORY					
OF ACCOUNTS					
Open at Start of Year	25,774	15,426	8,873	14,141	13,633
Accounts Received	67,200	66,363	64,815	32,621	49,858
Subtotal	92,974	..	..	9,706	..
Minus: Accounts Cleared	(77,548)	81,789	73,688	56,468	63,491
Accounts Open at End of Year	15,426	8,873	14,141	(42,835)	(55,146)
 OTHER ACTIVITY					
Certificates of Lien on File	7,277	4,754	4,122	**7,630	7,831
Abandonment Recommendations	2,000	1,500	686	***981	424

- * Accountant found error in FY 90-91. Balances adjusted
- ** 1,490 accounts are in refining of 1982 accounts
- *** Unsued \$10,00 = 358 (563 accounts = 36 Five yr plan = 30 Total 424

Investigations Section



LEGAL SECTION

The Legal Section's primary function continues to be the collection of delinquent monetary claims under the Tax Collector's jurisdiction. In addition to this primary function, Legal Section acts as the legal advisor to the Tax Collector and his section supervisors on legal issues arising in the course of their respective monetary collection activities.

The majority of delinquent accounts referred to Legal Section are tax deficiency assessments from the Business Tax section. These delinquent tax assessments, often involve closely held corporations or limited partnerships and demand analysis of sophisticated commercial legal relationships before a successful collection strategy can be developed. A thorough knowledge of bankruptcy law is essential to this practice.

The remainder are medical treatment accounts, processed by the Bureau of Delinquent Revenue (BDR), from San Francisco General and Laguna Honda hospitals.

An important part of Legal Section's representation of BDR's collection efforts, involves negotiation, compromise, and litigation relating to the medical reimbursement liens which Bureau personnel file in the hospital patient's lawsuit against third parties who allegedly caused the patient's injuries. Although Legal Section personnel utilize the civil collection suit as the principal tool to enforce payment of delinquent accounts, they also employ other procedures when appropriate, including a wide ranging array of civil creditor procedures to collect delinquent accounts. Included among these procedures are claims in bankruptcy estates, decedent estates, and conservatorship estates, a variety of liens, and voluntary payment instruments.

Performance Objectives

As a separate operating section, Legal Section has its own performance objectives which were revised in 1990. Current performance objectives call for collecting \$ 2 million dollars of delinquent revenue per fiscal year and filing 60 civil complaints and obtaining 28 judgments during the same period.

Legal Section exceeded its monetary collection objective in FY 93-94 by collecting \$ 3,266,499. However, the number of complaints filed and judgments obtained were only partially fulfilled because substantial professional personnel time was devoted to litigating contested cases already pending in the Section inventory in addition to other issues outside of monetary collection litigation.

Legal section attorneys have adopted the policy of seeking the maximum amount allowable by law before releasing liens filed by the Bureau of Delinquent Revenue Collection in the hospital patient's lawsuit against the negligent party who caused the injury. This policy has been aggressively opposed by the Plaintiff's attorneys. Legal Section has two contested cases against the patient's attorney for failure to pay the full amount of the lien. One of these cases is pending in the California Court of Appeal and has the potential for statewide precedent. The City's position is being supported by approximately 12 counties from the California County Counsel Association; and one county has filed a separate amicus curiae brief in support of the City. The patient's attorney is being supported by the California Trial Lawyers association who have stated their intention to file an amicus brief opposing the City's position.

Legal Section is representing the Bureau of Delinquent Revenue Collection in another major case involving a rejected creditor claim in a decedent estate which is scheduled for jury trial. This particular case involves medical ethics issues regarding the appropriate level of hospital care for an injured elderly patient; and who is to determine that level of care.

These cases have accounted for a substantial portion of Legal Section's professional resources.

The enactment of the San Francisco Sunshine Ordinance continued to usurp a significant portion of Legal Section's available professional work time. However, by the end of the fiscal year, Legal Section succeeded in developing a working relationship with the City Attorney in dealing with demands by the media for tax collector information. Nevertheless, Legal Section attorneys are invariably called upon to make the initial review of any media demand for tax collector information.

Legal Section has processed 27 accounts from Investigations Section where the tax debtor wanted to pay tax delinquencies in monthly installments over an extended number of years. This involves a complex process which is labor intensive and which consumes an ever increasing portion of legal assistant and secretarial staff time. However this program accounted for \$ 1,119,351 or approximately 33% of the reported total collection of delinquent revenues.

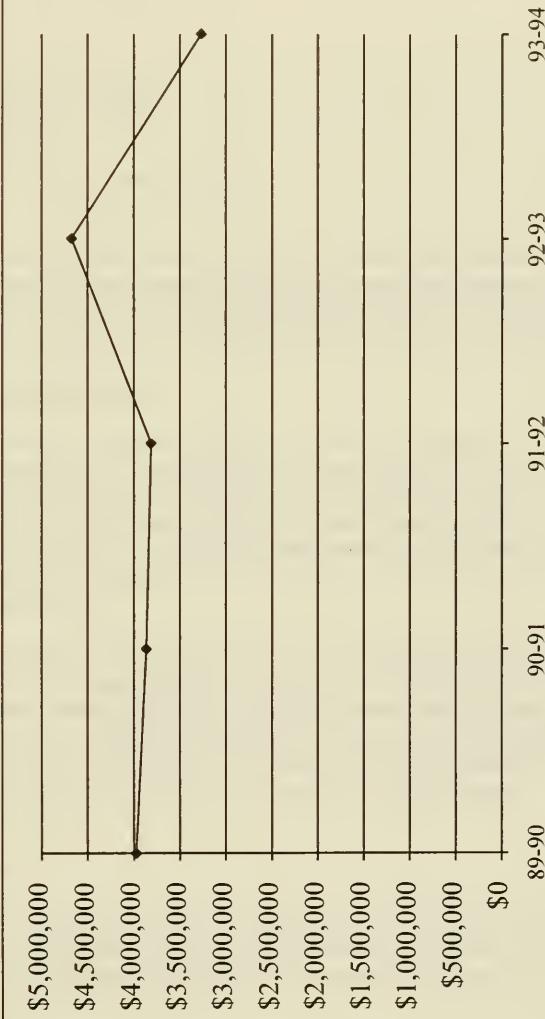
Legal Section has also been struggling to cope with the additional clerical and calendaring burdens imposed by recently enacted "fast track" rules in both municipal and superior courts. Every case now requires four additional calendar dates beyond those formerly required by state laws. These filing dates are currently calendared manually by secretarial staff and monitored by the attorneys. It is expected that calendaring software will become available to Legal Section in FY 94-95, which should significantly ease this burden.

Legal Section -- Statistical Activity

TYPE OF ACTIVITY	FY 89-90	FY 90-91	FY 91-92	FY 92-93	FY 93-94
Complaints Filed	41	32	28	17	15
Abstracts Recorded	17	21	18	16	14
TOTAL DOLLAR RECOVERY**	\$3,972,989	\$3,863,298	\$3,810,778	\$4,675,097	\$3,266,499

*** From all sources including but not limited to Abstracts of Judgments and filed Complaints.*

Legal Section



LICENSE SECTION

The License Section collects fees for nearly 150 different types of licenses and permits under five regulatory departments. These departments are:

- Department of Public Works
- Department of Public Health
- Fire Department
- Police Department
- Department of Animal Care and Control.

Issuance of new and replacement identification cards, badges and vehicle plates for approximately 8,000 drivers of public passenger vehicles under the Police Department is included as an important part of the section's collection responsibilities. The authority for the enforcement and collection of these fees is the San Francisco Municipal Code, Part III.

Rent Stabilization and Arbitration Fee

The License section continues to administer Chapter 37A of the Administrative Code. This chapter created a Rent Stabilization and Arbitration Fee in 1989. The fee is \$ 10.00 for approximately 210,000 residential units in San Francisco. Although this is a major responsibility, the public is now more conscious of this fee and the collection process is more routine than the previous two years. As a result, liens were recorded in May, four months earlier than the past year, against delinquent properties. These accounts will be included as a special assessment on the property tax roll.

The actual revenue for regulatory licenses and permits and Rent Stabilization and Arbitration Fee is \$ 9,645,557 for FY 93-94. Although this figure falls short by 2% of the estimated revenue of \$ 9,875,000, it is nonetheless nearly \$ 664,000 more than the previous year's revenue. An impressive gain of 11% over the estimated revenue of \$ 700,000 for the Police Department seems to indicate that businesses are climbing out of the economic slump. Department of Public Health revenue fared well also, nearly \$ 120,000 more than FY 92-93 collections.

Delinquent Fees Penalty

New businesses that do not respond to the initial statement of fees due are now assessed a penalty. This is a policy not previously included as part of the collection procedure. After 90 days, a delinquent report is forwarded to the regulatory departments for collection. Of 13,000 new accounts, approximately 5% are delinquent.

Department of Public Works Surcharge

Revenue was augmented by nearly \$ 90,000 during the initial implementation of Ordinance 369-92. Enactment of the ordinance, which imposed a 3% surcharge on apartment and hotel licenses, was accomplished without incident.

Dog Licenses

The Dog license project has been migrated from a manual system to an on-line system. The system interfaces with the Department of Animal Care and Control and has the capability of providing around the clock information. San Francisco is the first city to adopt this program. East Bay, North and South Bay counties will network with this system in the near future.

At the end of FY 92-93, information on dogs and their owners was accessible to program users at the animal shelter. Modems have been installed connecting the animal shelter and the Tax Collector's Office. This enables the Tax Collector to input and retrieve information directly from the animal shelter's data base. The second phase of automation is to generate receipts for payments of licenses and renewal statements on-line. This is targeted for completion in the second half of FY 93-94. The responses of dog owners to the revised dog license ordinance have thus far been positive. Owners are very receptive to the year-round flexibility in renewing licenses and the option of purchasing multiple-year licenses.

In response to budget constraints, members of the license staff are cross-trained in a broader range of collections and internal operations activities. Fifty percent of the staff are proficient in almost all licensing functions. Even though the section lost two permanent positions, it is still committed to providing taxpayers with quality service by responding to inquiries within eight hours, providing accurate information, and attempting in every way to reflect the goodwill of the department.

License Section -- Statistical Activity

TYPE OF COLLECTION	FY 89-90		FY 90-91		FY 91-92		FY 92-93		FY 93-94	
	Amount Processed	Items Processed	Amount Processed	Items Processed						
Public Works *	\$2,453,692	36,238	\$2,495,309	19,841	\$2,918,478	19,400	\$3,116,810	19,037	\$3,102,753	19,234
Police **	\$536,328	8,222	\$501,474	8,250	\$533,528	8,403	\$696,076	9,384	775,306	8,844
Public Health ***	\$3,202,644	8,272	\$3,181,784	8,196	\$3,274,754	8,185	\$3,370,537	7,324	3,579,151	8,174
Parking Permits	\$918,277	79,198	\$1,002,776	85,810	\$194,654	18,667	--	--	--	--
Fire Department Licenses	\$420,516	2,103	\$409,406	2,153	\$410,073	2,146	\$416,270	2,146	414,848	2,131
Dog Licenses	\$44,748	7,400	\$50,464	8,208	\$36,058	6,230	\$56,700	7,065	71,383	7,154
Subtotal	7,576,205		7,641,213		7,367,545		7,656,393		7,943,441	45,537
Rent Stabilization and Arbitration	\$1,276,368	40,056	\$1,318,994	40,568	\$1,386,360	44,687	\$1,325,704	40,174	1,612,320	38,761
Dept. Public Works Surcharge									89,796	--
TOTALS	\$8,852,573	181,489	\$8,960,207	173,026	\$8,753,905	107,718	\$8,982,097	85,130	9,645,557	84,298

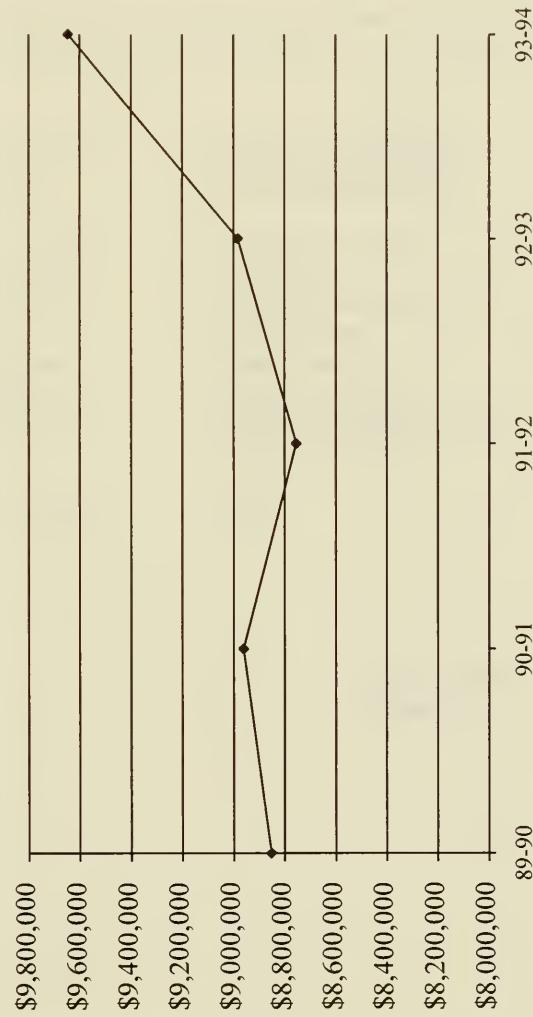
* Public Works includes the category formerly designated as "Apartment & Hotel."

** Police includes categories formerly designated "Vehicles" and "Miscellaneous."

*** Public Health includes categories formerly designated as "Miscellaneous Health".

Food Prod. & Marketing and "Food Prep. & Service."

License Section



¤ Acknowledgements ¤

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Gail Friedlander	Administration Section
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Sonia Martinez	Cashier Section
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Patrick Sha	Business Tax Section
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Mary I. Callanan,
Treasurer

Treasurer/Tax Collector Department

City and County of San Francisco



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Annual Report - FY 94-95

Mary I. Callanan, Treasurer

Richard A. Sullivan, Tax Collector

Treasury Division



Tax Collection Division



Treasurer/Tax Collector Department

City and County of San Francisco



Annual Report - FY 94-95



Mary I. Callanan, Treasurer

Richard A. Sullivan, Tax Collector

Inside Cover -- Title Page

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ANNUAL REPORT OF THE TREASURER-TAX COLLECTOR

City And County Of San Francisco

As of June 30, 1995
for
Fiscal Year 94-95

SYNOPSIS

The Office of Treasurer of San Francisco is an elective office which has been in existence since 1850. For a few years, from 1850 to 1856, there were *two* Treasurers -- one for the City and one for the County, because San Francisco County also embraced nearly all of present-day San Mateo County. Following the Consolidation Act of 1856, San Francisco became a combined City and County -- the only combined City and County in the State of California. In July of 1979, a Charter amendment added the office and duties of Tax Collector to the Treasurer's responsibilities.

The Treasurer is the banker and investment officer for the citizens of San Francisco and manages the investment functions and day-to-day operations of the City's cash management program. She is responsible for an overall portfolio currently well in excess of \$ 2.1 billion. The Treasurer's basic management objectives for managing this portfolio are, in order of priority:

1. Preservation of capital
2. Availability of funds
3. Yield (favorable return on investment without undue compromise of the first two objectives)

The Treasurer is guided in investment choices by the California State Government Code which allows a wide range of investment alternatives, such as:

- Time Deposits in banks and savings and loan associations
- Negotiable Certificates of Deposits
- Treasury Bills, Notes, and Bonds
- Federal Agencies issues
- Bankers Acceptances and Commercial Paper

Real estate and common stock are strictly excluded from allowable investments.

The following report covers the fiscal year ended June 30, 1995, and contains comparative statistics and information for the past five years of investment activities and tax collection revenues.

Each month the entire portfolio is "marked to market". This report and other details of performance activity and results are submitted to the Mayor and the Board of Supervisors. Present return on investment is among the highest in the State and the portfolio reflects the highest quality of investment alternatives. The Treasurer's staff takes pride in the fact that, over the past five years, the Treasurer's investment program has earned \$ 558 million with full liquidity and safety of all funds. This has been accomplished by strict adherence to the Treasurer's investment policy and by avoiding risky investments such as derivatives.

The portfolio includes the proceeds of numerous General Obligation and Revenue Bond issues. The Treasurer assisted in the sale of \$ 62,310,000 General Obligation Bonds and \$ 175,000,000 of Tax Revenue Anticipation Notes (TRANS). Earnings and expenditures on all bond issues must be closely monitored due to arbitrage regulations contained in the 1986 Federal Tax Reform Act and its subsequent amendments.

In managing the cash flow of the City and County the Treasurer works closely with all departments to ensure that all funds due are received and deposited as quickly as possible. In order to accomplish this the Treasurer has negotiated contracts with various banks for such items as lockbox and credit card services. The Treasurer's office disburses cash for approximately 2.2 million checks (warrants) issued by the Controller, amounting to over \$ 4.2 billion each year. It should be noted that the Treasurer's office does not issue checks (warrants), nor have any control over the budget approvals or expenditures. Care is taken to insure that cash is available to honor checks (warrants) issued to cover approved expenditures. In addition, the Treasurer's Office receives, verifies and pays all matured general obligation bonds and coupons. This amounted to over \$ 11.3 million in 1994-95, as well as book entry bond redemption and interest which was wired to the Depository Trust Company in the amount of \$ 64.2 million.

The tax collection responsibility of the Treasurer includes the collection of Property Taxes, numerous Licenses and Permits, Business Taxes, Investigations, and Delinquent Accounts due to other City departments. Annual revenue collections have increased from \$ 988 million to almost \$ 1.2 billion over the past five years. Substantial detail concerning the City's tax collection activities is provided in the body of this report.

In summary, the Treasurer collects, protects and maximizes returns on all funds belonging to the citizens of the City and County of San Francisco.

HIGHLIGHTS OF FY 1994-95

- Richard A. Sullivan became Tax Collector on July 1, 1994. He succeeded the late Thad Brown who retired after thirty-five years of service. Mr. Sullivan began an all-out campaign to restructure the Tax Collector's office in order to do more with less. He initiated a Total Quality Management (TQM) program which addressed the improvement of Taxpayer Assistance, and centralization of accounting services, and targeted reconciliation procedures.
- The first Business Tax/Payroll Tax Penalty Amnesty Program in the history of the Tax Collector's office was an immense success. It generated approximately \$5 million in Business Tax registration fees and taxes.
- The Treasurer/Tax Collector Department successfully relocated its offices from City Hall to 875 Stevenson Street during the peak collections period without any disruption of service.
- We improved efficiency and productivity without an increase in staffing levels by embracing the most advanced data processing technology available. Significant progress has been made toward full office automation and the planned migration from a Wang system to a PC based system has been completed. The Local Area Network (LAN) system for the Treasurer/Tax Collector Department is nearly complete.
- For several reasons, including budget constraints, significant risks involved in handling large amounts of cash, and our relocation to 875 Stevenson Street, the Treasurer has discontinued cashing checks at the Treasury windows. Instead, negotiations with the bank resulted in transfer of the Treasurer's former check cashing activities without additional cost to the City or charges to City employees and other clients.
- The Treasurer's Office completed major restructuring of banking services, including:
 - a) conversion of the City's bank accounts from a special banking draft (warrant) account system to a less costly and more efficient commercial banking checking account system;
 - b) conversion from a bank tape system to a more efficient automatic electronic data transmission system of deposits and check payments; and
 - c) implementation of a check truncation system.

ORGANIZATION AND BUDGET

In brief, the organization appears as follows:

TREASURER

	Tax Collector
Chief Assistant Treasurer	Deputy Tax Administrator
Treasury Division	Administration
Treasurer's Cashier	Tax Collector's Cashier
	Business Tax
	Property Tax
Chief Investment Officer	Licenses and Permits
Investments	Delinquent Revenue
Cash Management	Investigations
Bond & Coupon Redemption	Legal

The Treasurer/Tax Collector Department budgeted expenditures amounting to \$ 10,831,103 for FY 1994-95, with a total of 155 positions. This is a 7.5% increase from the FY 93-94 budget of \$10,017,849 with no increase in the number of positions. Positions which were approved for a portion of FY 93-94 were fully funded in FY 94-95.

The Administration Section provides centralized support services to the programs and activities of the Treasurer/Tax Collector's Office. Goals and achievements of the various sections are detailed in the following pages of this report.

Title Page for Treasury

Treasury Division

The Treasury Division's main responsibility is to account for receipt of all funds deposited by City Departments, redeem Controller's checks (warrants) and disburse funds for other legal obligations.

The Treasury Division also accepts various assets such as securities, deposits, bail bonds and miscellaneous assets from departments and holds them in a special custody safe. Computer software has been developed and customized to record all necessary information on these items. Additionally, regular written contact is maintained with the various involved departments concerning current activity and status of the assets.

The Controller's Internal Audits Section routinely examines the activities of the Treasurer's office including quarterly verification of cash on hand. In addition, an outside major accounting firm audits Treasury Division's activities in connection with the publication of the Controller's Annual Financial Statements.

The Treasurer works with the Controller, Legal Counsel, financial advisors and other departments in connection with the issuance of various bond issues. During FY 1994-95, \$ 62,310,000 in taxable general obligation bonds were issued as follows:

General Obligation Bonds:

\$3,455,000	Public Safety Improvement Projects	1989 Series, 1994 A
\$18,100,000	Public Safety Improvement Projects	1990 Series, 1994 B
\$30,650,000	School District Facilities Improvements	1994 Series, 1994 C
\$10,105,000	Fire Department Facilities Projects	1992 Series, 1994 D

These bonds were fully registered in the name of Cede & Co. as nominee of the Depository Trust Company and, therefore, available to the ultimate purchasers only under the book entry system.

Tax and Revenue Anticipation Notes (TRANS), payable in Fiscal Year 1995-96, in the amount of \$ 175,000,000, were also issued in Fiscal Year 1994-95.

Additional responsibilities include monitoring absent heir deposits and payments pursuant to State Probate Code 11850; processing and reconciling street improvement deposits and payments authorized under the 1934 Street Improvement Ordinance; and performing Trustee duties in connection with deferred payment settlement trust funds resulting from large claims against the City.

TREASURER'S CASHIER SECTION

This section is responsible for the:

- Receipt of all City and County monies and checks, either through direct bank deposits, lockbox operations, credit card collections, or Treasurer's receiving window
- Payment of all Controller checks (warrants) through the Department's Clearing House Bank
- Reconciliation of the above receipts and disbursements with total cash, on a daily basis
- Daily and monthly reconciliation of Treasurer's checking accounts
- Daily input and detailed reconciliation to FAMIS (Financial Accounting and Management Information System) reports

All checks received through the Treasurer's Receiving window are encoded and microfilmed before they are deposited in the bank. Internal control is achieved by division of duties between receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks, and the accountants.

The primary objective of the Cashier Section is to process and account for the receipt of collections, departmental deposits, and disbursements made through the Cashier, by the close of the same business day. The Cashier Section accomplished this objective during the fiscal year.

In 1994-95, more than 2,178,000 checks (warrants) were processed - an increase of 1.2% over last year, while total disbursement dollars increased by 7.7%.

Total receipts amounted to \$ 4.2 billion while disbursements totaled \$ 4.2 billion resulting in a June 30, 1995 cash and equity balance of \$ 2,173,156,586.

In an effort to revise and streamline the collections, deposits, and check reconciliation processes so that these can be more effective and efficient, extensive efforts and resources have been invested in automation. Consequently, several milestone events occurred in the recent history of the Cashier Section and they are listed and described below.

<u>Date</u>	<u>Event</u>	<u>Benefit/Impact</u>
November, 1980	Arrival of the NCR Remittance Processing System	Enables cashiers to encode checks for direct remittance to the banks. Permits earlier investment of funds for higher interest earnings and reduction in bank costs.
September 1982	Expansion of the NCR Remittance System	Enables encoding and processing of redeemed and mutilated checks (warrants). Process creates a computer tape of cashed checks (warrants) and data entered directly into Warrant Reconciliation. Eliminates necessity of farming work out to personnel of Controller's ISD.
1990	Installation of a replacement NCR Remittance Processing System	Replaces obsolete equipment with faster, more efficient PC/LAN based system. Permits cashiers to produce diskettes from which data can be transmitted to main frame data bases electronically. Speeds up processing of checks (warrants) and remittances and eliminates need to create computer tapes for the IBM mainframe.
1992	Enhancements to NCR Remittance Processing	Replaces OCR scanners and journal to improve accuracy and speed of printers; modifies software to enhance collection process.
1993	Addition of personal computers (PC's) to accelerate posting.	Installation of additional PC's for cashiers to improve and accelerate posting of collections to individual accounts.
1994	Beginning of Local Area Network (LAN) migration.	Replace old stand-alone models (286's and 386's) to 486 PC's in the Cashier area to allow partial conversion to Local Area Network (LAN) system.

In FY 94-95, the Treasurer/Tax Collector Department temporarily relocated from its City Hall location to 875 Stevenson Street as part of the seismic upgrade and retrofitting of City Hall. The Department successfully moved numerous computers and other data processing equipment, over 4,000 square feet of records, plus cash and securities during our peak collection period without any disruption of service to the public.

Until this year, San Francisco was one of the few remaining counties in the State that provided check cashing service. However, restricted facilities at the new location, budget constraints, and the fact that carrying large sums of money in order to cash warrants seriously jeopardized our security, forced us to discontinue this service. Effective January 9, 1995, the Treasurer ceased cashing checks (warrants) and negotiated with the bank to take over the Treasury's check cashing activities without additional cost to the City or charges to City employees and other clients.

As part of the Treasurer's continuing effort to improve the efficiency and effectiveness of its operations as well as reduce costs, major banking services were restructured resulting in cost savings and additional interest earnings of approximately \$400,000 per year. Some of the major changes in banking services are as follows:

- In FY 94-95, conversion of the City's bank accounts from the obsolete and expensive special banking draft or warrant account system to a less costly and more efficient commercial banking checking account system was completed. The conversion, which was initiated a few years back, saved the City a total of \$286,000 in processing fees. The old fee was 21 cents each for warrant processing compared to 8 cents for checks, which translates to a 13-cent savings for each of the 2.2 million warrants issued per year.
- Effective June, 1995, automatic electronic data transmission of deposits and check payments was implemented. This new process eliminated tape errors and allowed next-day electronic data transmission compared to a two-day delay in tape transmission of warrants paid. It also accelerated and streamlined the cash recording and reconciliation process in both the Treasurer's and Controller's Offices.
- The conversion of the City's bank disbursements from warrant system to checking system allowed the truncation of most of the checks. Effective April, 1995, the Controller and the Treasurer stopped processing, canceling, filing, microfilming and storing 2.2 million checks a year. Instead, within 48 hours after request, and for \$2.00, the bank will provide the City with a copy of the check. It is estimated that truncation will save the City at least \$100,000 per year in salaries and benefits of a Controller's Office clerk, charges for offsite storage services, and fees paid for outside microfilming service contracts.

INVESTMENT SECTION

The goal of the Investment Section is to administer and control the investment of all monies in the Treasurer's custody that are not required for payment of current obligations. Its purpose is to maximize interest income while preserving the liquidity and safety of the principal. Its objective is to maintain all surplus funds in investments that can be easily monitored and liquidated.

The Investment Section has consistently demonstrated prudent portfolio management with excellent results. The portfolio performance for FY 94-95 is listed below:

Portfolio Performance:

Total interest received	\$ 119,815,140
Total net earnings	\$ 124,645,050
Average daily portfolio balance	\$ 2,014,978,043
<u>Earned Interest Yield</u>	<u>6.186%</u>
Fiscal year-end portfolio balance	\$ 2,154,760,615
MARKET VALUE (as of 6/30/95) *	\$2,179,124,907

*plus accrued interest of \$29,050,277

Comparison Yields

	FY 94-95
Average 90 day treasury bills	5.29 %
City of Los Angeles	5.89 %
Los Angeles County	5.34 %
State Local Agency Fund	5.52 %

Many of the Bond Funds managed by the Investment Section are subject to the Tax Reform Act of 1986 which strictly limits arbitrage profits that can be enjoyed by the City and County of San Francisco. Excess profits generated by our prudent investment of these funds, resulted in the City sending \$ 2,663,100 to the Federal Government in FY 93-94 (which should help to reduce the federal deficit.) In FY 94-95, excess profits were offset by a negative balance on certain bonds, resulting in no arbitrage refund.

Financial Service Subscriptions:

The Investment Section subscribes to the following computerized financial services:

- Moneymax
- Telerate Matrix System
- Dow Jones Capital Markets
- Technical Data
- Money Market Observer
- Ramirez Capital
- Thompson Financial
- Various institutional data banks
- Bloomberg Systems
- Lehman Brothers
- R.H. Wrightson

In addition, direct wire lines are maintained by investment houses (primary government dealers) which enable the Chief Investment Officer to maximize interest income and earned interest yield, through rapid competitive bidding, as reflected in the schedule of Portfolio Statistics. The installation of personal computers (PC's) along with appropriate modems allows the investment staff to retrieve daily bank balances and supporting reports. Further, the PC's enable more sophisticated trend analyses which assist in future investment decisions. The Telerate Matrix and Bloomberg System provide instantaneous live electronic monitoring of the domestic fixed income markets.

The implementation of direct bank deposits during the early 1970's, whereby departments deposit their receipts directly to local branches of Bank of America, the City and County's concentration bank, continues to accelerate cash flow into the Treasury. Lockbox procedures are in effect for processing invoices, receipts, and Municipal Court parking and traffic citation receipts. Tax collection receipts, and other city department receipts, are received for processing through the NCR Remittance Processing System for direct bank remittance. These procedures provide early deposit of receipts plus reduced bank charges.

The Investment Staff continues to monitor and invest all funds that flow through the remittance processing system by electronic access. All funds are transferred by Fed-wire to the concentration accounts for Controller disbursement or Treasurer investment.

Besides the aforementioned procedures, credit cards are accepted for payment of traffic fines, towing and storage fees, and misdemeanor bails. This process has resulted in the reduction of bad checks, acceleration of payments and immediate availability of funds for investment.

Cash Manager:

The Cash Manager assists the Chief Investment Officer. The Cash Manager's primary responsibilities include:

- Ensuring compliance with Charter mandate that all revenues deposited with City departments are received and receipted in the Treasurer's Office by the next business day.
- Analyzing cash flow throughout the City and developing a cash flow system.
- Initiating and modifying cash flow procedures.
- Establishing and maintaining banking relationships.
- Advising and making recommendations to City and County department personnel regarding cash management procedures and policies.
- Assisting the Chief Investment Officer in administering cash management and investment policies.
- Managing the bond and coupon redemption program.
- Co-administering the bond arbitrage rebate program with the Controller to ensure accurate records are maintained, proper procedures are followed, and timely payments are made to the Federal Government.

Extended application of these procedures to other programs is an ongoing process and continues to increase revenues and provide improved taxpayer assistance while containing costs.

In FY 1994-95, the Cash Manager continued to perform the function of redeeming general obligation bonds and coupons and registered bonds and bond interest.

Significant events described below, led to the reorganization of the bond and coupon section, which received, verified, and paid all matured bonds and coupons (bond interest) either locally or through the Depository Trust Company.

<u>Date</u>	<u>Event</u>
March 19, 1991	Fiscal agent Citibank in New York resigned as co-paying agent. The City and County of San Francisco Treasurer Bond & Coupon Section became the sole paying agent for the redemption of all bearer bonds and coupons maturities until April 1, 1992.
April 1, 1992	Bank of America's Corporate Trust Department became the paying, transfer, and registration agent for all general obligation bearer bonds issued prior to 1986.
April 1, 1992	Bond and Coupon Supervisor retired from City service, leaving the position vacant for the entire FY 92-93.
July 1, 1992	Bond and Coupon Section was eliminated and the function assigned to the Investments Division.

Through perseverance and dedication to quality control, the Cash Manager, with the assistance of the paying and transfer agent, achieved all the objectives of the section. During FY 94-95, bonds and coupons amounting to \$ 11,277,262 were redeemed. All matured bonds and coupons presented for redemption by person or mail were promptly and satisfactorily paid. In FY 94-95, there were 40 transactions involving new registrations and re-registrations of general obligation bonds. Book entry bond redemption and interest payments amounting to \$ 64,207,904 were wired to the Depository Trust Company.

All financial institutions have been advised of the City's MacBride Principles Ordinance which pertains to fair employment practices in Northern Ireland. It is the policy of the Treasurer to support these principles and encourage financial institutions to assist those companies which abide by the principles.

Portfolio Statistics

Title Page for Tax Collection

Tax Collection Division

The Office of the Tax Collector receives and deposits all monies for taxes, licenses and other fees due the City and County of San Francisco under the direction of the Treasurer, in accordance with the provisions of the Charter and the City's Administrative Code. It also provides the collection of delinquent accounts for other City Departments. In order to be effective, this work requires coordination with other agencies of the City and County, the Board of Supervisors and the State of California, as well as other tax administrators and policy bodies.

The office aims to provide an equitable and efficient collection of property taxes, business taxes, licenses, and miscellaneous fees in accordance with State Law and City ordinances, and at the same time, maximize investment return by expeditiously processing and depositing receipts.

The Tax Collector supervises eight operating sections: Administration, Cashier, Property Tax (Real Estate), Business Taxes and Audits, Delinquent Revenue Collection, Investigations, Legal, and License. The sections have the following basic goals:

- to provide centralized administrative services for the department and to provide support of divisional program activities.
- to provide centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.
- to maintain a post-audit program to determine the accuracy of taxpayer reports and to levy additional taxes, if the audit indicates an underpayment.
- to administer and collect such taxes as the Business Tax, the Payroll Expense Tax, Parking Tax, Hotel Tax, Utility Tax, Stadium Admission Tax, and Transient Occupancy Tax.
- to provide centralized collection and resolution of delinquent accounts in excess of 90 days for all City and County of San Francisco departments except those under the jurisdiction of the Public Service Enterprises.
- to collect fees for Licenses and Permits which are required by Municipal Code and to collect the Dog License fees.

The functions of each section are described in more detail in the body of this report. The narratives also include individual program goal statements directed toward the achievement of timely and quality public service. Together they express the main objective of the Tax Collector's Office: to maximize the City and County of San Francisco's revenues in order to finance vital services and functions.

Brief History

In FY 92-93, the Tax Collector's Office was hit with the loss of twenty-one positions in a very short period of time. Seven were lost to early retirement under a program offered to employees after passage of Proposition "A". An additional fourteen were lost during budget reductions resulting from a city-wide budget deficit. The full impact of the loss was to be felt in FY 93-94.

In response to these staff reductions, the Tax Collector's Office prepared to face head-on the difficulties and possible revenue shortfalls that would lie ahead. A complicating factor was a significant increase in program scope and/or workload. This resulted when the San Francisco Board of Supervisors approved 16 new local ordinances, over a 14 month period, including business tax ordinance changes and new revenue measures, without a commensurate increase in staffing.

Highlights of FY 94-95

Richard A. Sullivan became Tax Collector on July 1 of the fiscal year. He succeeded the late Thad Brown who retired after thirty five years of service. Mr. Sullivan, who had served as Deputy Tax Administrator since 1975, began an all-out campaign to restructure the Tax Collector's Office in order to do more with less.

An early activity in the year was participation in a management audit conducted by the Budget Analyst's Office. The audit report presented detailed recommendations which supported and commended actions which the Tax Collector had already initiated. While still Deputy Tax Administrator, Mr. Sullivan had begun a Total Quality Management program which resulted in two in-house task forces.

The first task force, Bravo, addressed the improvement of Taxpayer Assistance by centralizing this function and staffing it with generalists who could offer the equivalent of "one stop shopping". The second, Task Force Charlie, focused on the issue of centralizing accounting services. (A third task force, targeting reconciliation procedures, will begin in the next fiscal year.) The recommendations of the first two task forces were given strong endorsement in the Budget Analyst's management audit report.

Another major activity was the first Business/Payroll Tax Penalty Amnesty program in the history of the Tax Collector's office. This highly successful program, which generated approximately \$5 million in Business Tax registration fees and taxes, is discussed in greater detail in the Business Tax section of this report.

Highlights of Achievements in Automation

<u>Date</u>	<u>Event</u>	<u>Benefit/Impact</u>
1990	An Interactive Voice Response (IVR) was installed for use of property taxpayers.	Improved ability to handle high call volume during peak periods; callers helped immediately instead of getting a busy signal for long periods.
	A new generation of NCR remittance processor replaced the original, ten-year-old equipment.	Obsolete equipment replaced with faster and more efficient processor, resulting in much quicker check deposits, both daily and during peak periods.
1991	Ten PC-based cashiering workstations are installed at all Cashier windows and connected in a local area network (LAN).	Faster payments and shorter lines for all taxpayers based on high-speed automated cashiering operation.
1992	Business Tax System (BTS) implemented after a five-year development cycle.	First comprehensive on-line database of business tax accounts with all associated financial and business history available for research and reporting.
1993	Began plans to migrate Wang users to PC-based local area networks (LAN).	Industry-standard tools, faster access to applications and ability to share information among applications and among end users from workstation to workstation.
1994	Migration to LAN 65% complete by year end and new users fully trained in Microsoft Word and Excel.	Enhanced ability of users to produce reports and financial documents including annual budget request in a timely and meaningful fashion.
1995	Columbia Ultimate Business System (CUBS), a collection system, nears completion of development stage and initial training of staff.	Increased ability to pursue delinquent debtors by centralizing information on tax indebtedness and enabling automated dialing. Managers better able to monitor work performance of collections officers.

ADMINISTRATION SECTION

Staff continued to provide centralized administrative support services to the Department in the areas of budget and finance, information and data processing, telecommunications, payroll, personnel, purchasing and supply, equipment and facilities maintenance, and general office administration.

Management Information Services

Staff in the Tax Collector's Office continue to migrate to a PC-based Local Area Network (LAN) system with industry-standard hardware and software such as Microsoft Word and Excel. Ultimately the department will phase out two Wang VS 5000 mini-computers presently used for automation and telecommunication services. Access to more powerful computing tools is expected to enhance the productivity of the staff and enable more timely production of significant financial and budget reports and documents. At the close of the fiscal year, fully two-thirds of staff had been given training in use of PC hardware and software and in increased communications capability through the LAN system. Most new staff members are already familiar with PC-based word processing and spreadsheet products.

Administration

Administrative staff continued throughout the year to handle all administrative services, including budget and financial activities, payroll and personnel services, purchasing and supply, equipment and facilities maintenance, operations analysis, and technical assistance to all staff. The primary goals of the Administration section continue to be:

- to provide data processing and administrative support services to all staff in a comprehensive and efficient manner as a means of increasing their productivity and improving service to the public.
- to provide revenue-generating staff with automated tools that will enable them to spend less time on clerical and document-processing functions and more time on revenue-generating activities.
- to follow a value-added strategy for the division by utilizing data processing and telecommunications systems that follow industry standards and will provide a flexible base for future growth and development.

TAX COLLECTOR'S CASHIER SECTION

The Cashier Section receives, and accounts for, all payments of taxes, licenses, and other revenues, whether taken over the counter in cash or by check, or received through the mail. The section maintains internal control of all payments by a system of numeric identification data, along with batch data, and microfilms the checks connected with each payment.

The Cashier Section also opens, sorts, and processes all mail received by the Tax Collector's Office. All checks with proper supporting documents are processed immediately. Checks without proper supporting documents, or which need verification, will undergo standard check control processing. This procedure ensures that all payments are correctly identified and recorded.

During FY 94-95, the Cashier section continued to improve and expand on its system of a Local Area Network (LAN) of eleven workstations. Additional fields of information were added to payment printout receipts and management reports to better identify tax payment items. The processing of all of these items was performed by a staff of nine permanent employees. Additional temporary employees, both cashiers and clerks, were hired during the peak periods of Property Tax and other major collections.

In the new fiscal year, the section will continue to improve and upgrade its workstations. Plans are to install new state-of-the-art, more powerful workstations that will greatly enhance the speed of processing items. All workstations are to be connected to the IBM mainframe through a telecommunications link, in addition to the cashiering workstations and the remittance processing LAN's. This configuration will enable all aspects of the Tax Collector's cash management system to have direct access to the files on the IBM mainframe. The section also plans to install two letter-opening machines with the capability of opening and sorting mail. This will allow the section to greatly improve its efficiency and use of staff.

The total revenue processed by the Cashier's staff increased by \$ 18,893,127 or 1.6 %, for a total of \$ 1,186,624,990. The total number of processed items was 614,628. This is an increase of 3.7 % in the number of items processed as compared to 592,459 in FY 93-94. The yearly high amount of revenue processed in a single day -- \$ 60,593,929 -- was set by the Cashier's staff on December 9, 1994.

Retail Sales and Local Transportation Tax

The State of California, acting since 1958 as the agent of the City and County of San Francisco, collects the San Francisco Uniform Sales and Use Tax and returns revenues minus costs to the City and County. The State collected an additional \$ 22,756,793 for deposit in the Local Transportation Special Fund. Together, these items represented a total of \$ 113,353,993.

Note: The Cashier's figures do not match those of the Property Tax and Business Tax sections. The Cashier's figures represent the amounts originally collected, before adjustments, whereas the other two sections' figures, as per the notes on their respective statistical tables, represent the amounts adjusted for transfers, duplicates, and overpayments.

Cashier's Sources of Revenue (legend for graph)

Cashier's Graph

PROPERTY TAX SECTION

The Property Tax Section collects, records, and reports payments of secured and unsecured property taxes and special assessments. The section has two major units: Real Estate and Tax Redemption Bureau.

Real Estate Unit

This unit began the tax collection process with the mailing of property tax bills. It dispatched more than 230,000 bills, including more than 50,000 unsecured tax bills, approximately 9,000 supplemental tax bills, and over 800 escape bills, throughout the year. In FY 94-95, it made its biggest posting in mid-October, as it mailed approximately 170,000 secured property tax bills. This event took place two weeks earlier than the date required by the State Revenue and Taxation code of November 1. The nature of both the unsecured and supplemental tax bills required individual monthly mailings rather than one big mailing as was the case for the regular secured tax roll. There was a sharp drop in the number of supplemental tax bills issued, due to the decrease in property assessed value.

In FY 94-95, the Property Tax Section received more than 403,970 tax payments and collected \$ 706,649,308 in tax revenues. The NCR remittance processors processed most of these payments electronically and the Cashier processed the rest through her cashing LAN (Local Area Network) system. Regardless of the way in which they were handled, these payments must be recorded and reconciled. Afterwards, this section prepared the collection reports promptly and efficiently.

The public made more than 200,000 inquiries, either by mail, telephone, or walk-ins. Additionally, the Automated Information Line recorded more than 50,000 calls. Most of these inquiries involved:

- duplicate tax bills
- explanations of tax bills
- refunds of duplicate/overpayments
- change of mailing address
- special assessments
- utilities liens

The increase in number of inquiries was a direct result of the considerable increase in taxpayers' requests for reassessment of their property value.

Assessment oversights sometimes resulted in corrected tax bills being issued. The tax liability on these corrected tax bills could be either over- or under-stated. If it was the former, the Tax Collector had to refund the difference to the taxpayer. Otherwise, the difference had to be remitted to the Tax Collector.

Objectives:

The Property Tax Section set and met the following objectives:

- To complete mailing of all current year secured tax bills by November 1.
- To process within three days all secured payments received on or before December 10 and April 10.
- To post and reconcile within sixty days all secured payments received on or before December 10 and April 10.
- To post and reconcile within forty-five days all unsecured payments received on or before August 31.
- To provide a list of delinquent unsecured accounts as of August 31 to the Investigation Section by October 15.
- To mail 100% of non-penalty courtesy letters within seven days of receipt from Cashier.

Tax Redemption Unit

This unit processed and computed payments of prior years' delinquent secured property taxes. It maintained complete listings and accounting records of prior years' delinquent property taxes, penalties, costs, redemption penalties and fees. It also maintained complete records on taxes being paid under the five-year installment payment plan. In FY 94-95, taxpayers redeemed 3,903 tax-defaulted parcels to produce a tax revenue of \$ 22,266,281 -- a 6% decrease from previous years' revenue collections.

An on-line automated financial system maintained the accounting records for delinquent taxes outstanding and collected. It automatically accumulated the tax liability on a monthly basis until the property was either redeemed or sold. It has inquiry, update, and payment recording capabilities.

The unit received a high volume of inquiries from the following entities:

- general public
- title insurance companies
- mortgage companies
- savings and loan companies
- banks
- tax service agencies

Most inquiries involved the:

- interpretation of the State Revenue and Taxation Code
- current tax status
- computation of taxes and penalties
- requests for Certificate of Redemption
- explanation of 5-year installment payment plan

To perform these functions effectively, this unit had fostered a close relationship with the offices of the City Controller, Assessor, Recorder, and State Controller.

The Tax Redemption Unit also prepared lists of properties that had become tax-defaulted and, consequently, were subject to sale. In compliance with state law, the Tax Redemption Unit published the Delinquent List in September 1995 as well as the Notice of Impending Tax Default and the Notice of Power and Intent to Sell Tax-Defaulted Property in June 1995 in the local newspaper.

Property Tax ---- statistics

Secured Property Tax -- Graph

Unsecured Property Tax -- Graph

BUSINESS TAX SECTION

The Business Tax Section is responsible for implementing the following tax ordinances of the City and County of San Francisco:

City and County of San Francisco Municipal Code, Part III, Revenue and Finance:

Business Tax Ordinance	Article 12-B	Sec.	1001 et. seq.
Parking Tax	Article 9	Sec.	601 et. seq.
Payroll Expense Tax Ordinance	Article 12-A	Sec.	901 et. seq.
Registration Fee	Article 12-B	Sec.	1002.9
Roofers Vehicle Tag Fee	Article 12-B	Sec.	1007.1
Stadium Admission Tax	Article 11	Sec.	801 et. seq.
Transient Occupancy Tax (Hotel)	Article 7	Sec.	501 et. seq.
Utility Users Tax	Article 10	Sec.	701 et. seq.
Vehicle Renter Tax	Article 19	Sec.	1901 et. seq.

The missions of the Business Tax Section are as follows:

- To provide taxpayers with the highest level of assistance and information in registering their business, filing their returns, and other tax matters.
- To efficiently maintain taxpayers accounts and files on the automated Business Tax System (BTS).
- To provide City departments with quality information in the most effective and efficient manner.
- To perform compliance audits and to promote taxpayer compliance with the City's tax ordinances through regular and special audits.

1994-95 Fiscal Year Highlights:

- In addition to local audits, the out-of-state Audit program was conducted for the sixth year to audit those businesses with offices in major cities outside San Francisco. Four auditors were sent to several cities located in New Jersey, New York, Florida, Georgia, and Massachusetts, which generated \$ 1,272,754 in audit deficiency billings, (89 % higher than last year), with an approximate cost of only \$ 28,000 to the City and County of San Francisco.
- The Tax Collector's Office is currently undergoing an organizational restructuring, which is anticipated to be completed next fiscal year. Concurrent with the restructuring, the Business Tax section is working on establishing an Accounting section to provide accounting support with regard to accounts receivable, data entry, and other business-tax-related functions. The restructuring will improve the overall tax collection function and enhance the ability of the Tax Collector's Office to deliver better inter-departmental and taxpayer services.

- With the approval of the Mayor and the Board of Supervisors, the Business Tax section was authorized to add six new positions in FY 93-94 to assist and support the different functions in the section in order to substantially increase audit deficiency billings. These positions which were funded for only a portion of FY 93-94 were fully funded in FY 94-95.
- Effective June 30, 1995, the Vehicle Renter Tax was repealed by the San Francisco Board of Supervisors. This tax took effect on October 1, 1993 and generated over \$ 3 million in the eighteen months of its existence.

Business/Payroll Tax Amnesty Program

For the first time ever, the Tax Collector's office implemented a Business/Payroll Tax Amnesty Program, which was designed to waive all penalties and criminal prosecution of delinquent taxpayers who met certain requirements. The requirements included taxpayers paying principal and interest due, filing all required statements, and completing formal Amnesty applications.

The Business Tax section was charged with the responsibility to develop and implement the Amnesty Program with existing staff resources. The processing of the Amnesty applications was performed within the Business Tax section concurrent with the normal workload. The mailing of approximately 60,000 Business Receipts and Payroll Expense Tax Statements normally results in the busiest time of the year for the Business Tax section. The additional volume of the Amnesty Program required a realignment of existing resources within the section. Staff support was utilized extensively to meet the demands of the Amnesty program in a timely fashion.

In an attempt to reach the broadest segment of the business tax community, an Amnesty publicity campaign was conducted which included billboards, bus shelters and bus signs, press releases, newspaper advertising, radio-tv public service announcements, and other media. A special Uniform Call Distribution System (UCD) was set up by the telephone company with a unique number for easy recognition. A special script was written and recorded on the phone menu to allow callers to select a menu choice or speak to a live operator. During this two month time frame, over 14,000 telephone inquiries were received, with over 600 calls each day during peak periods.

During the two month amnesty period, (December 1, 1994 to January 31, 1995), over 10,000 Amnesty applications requesting waiver of penalties were received out of the 24,163 notices mailed. The program triggered an extremely positive response from taxpayers, which resulted in a collection of \$ 5 million in delinquent business tax registration fees and taxes. This total exceeded the initial projection by almost \$ 4 million. It also resulted in a substantial update to our 60,000 accounts and permitted clearance of obsolete accounts and extraneous information from our Business Tax System (BTS) database.

An evaluation of the collections revealed that, as a result of this program, these new business registrations should generate approximately \$1 million annually in total recurring revenues.

Business Tax Audit Program

It is important to note that due to the implementation of the Business Tax Amnesty Program, and several long-term staffing vacancies, heavy demands were placed on existing staff. Redeployment of their efforts resulted in a 34% decrease in audit deficiency billings, the remainder of which must be postponed until next year.

Business Tax Graph

Audits Graph

BUREAU OF DELINQUENT REVENUE

The Bureau of Delinquent Revenue provides two types of collection services to the various departments of the City and County of San Francisco.

- It accepts accounts from departments (other than those under the jurisdiction of Public Service Enterprises) that are unable to collect their accounts receivable within the 90 days provided by the Administrative Code.
- It researches and collects unpaid fees and taxes by submitting claims during escrow and bankruptcy proceedings.

To perform these functions effectively and efficiently, the Bureau is organized into two units -- Delinquent Accounts and Escrow and Bankruptcy.

Delinquent Accounts Unit

All delinquent accounts referred to the Bureau in accordance with Section 10.38 of the Administrative Code are processed by this unit. Pertinent account information is computerized, reviewed, and sent through the collection process.

Collection Services:

Some of the collection services that the Bureau provides to the various departments are:

- Billing and debt resolution
- Skip tracing bad addresses
- Employment verifications
- Filing creditor claims in Probate
- Filing Workers' Compensation claims
- Small Claims Court representation
- Initiating civil litigation in Municipal and Superior Court

Escrow and Bankruptcy

This unit collects taxes and other accounts receivable when a business or person opens an escrow account or files for bankruptcy.

In escrow situations, funds are put into the custody of a third party until certain conditions are met. Funds necessary to the closure of a real estate transaction are placed in an escrow account. The Bureau submits demands to escrow holders before the sale of any business or real property becomes final in order to maximize the collection potential of taxes and other claims by the City against parties to the transaction. This potential diminishes considerably unless claims are filed promptly.

In Bankruptcy cases, creditor claims must be filed with the bankruptcy courts in a timely manner in order to be valid. Claims filed after the statutory period lack effect and are normally uncollectible.

The Escrow and Bankruptcy unit has done an excellent job. Even with one less collection officer, it was able to increase revenues by \$ 126,567 or 4.4%.

Medical Billings

San Francisco General Hospital (SFGH) is no longer giving the Bureau of Delinquent Revenue credit for account collection unless the Bureau actually bills the accounts. This is despite the fact that Bureau personnel either obtained and provided Medi-Cal, Medicare and other insurance information for SFGH's billing purposes or the patient provided this information to the hospital after being contacted by the Bureau.

Medi-Cal and Medicare billing procedures are complicated and require various forms such as the Treatment Authorization Request (TAR) and Physician Attestation forms which are not readily available to BDR without the hospital's cooperation. Procedures codes for hospital treatment were changed and the new UB 92 forms for insurance billings are now computer generated at the hospital. Although it is not impossible for BDR to bill insurance companies manually, it would be necessary to retrain a large number of Bureau staff in the new procedure codes.

In testing eleven accounts from a hospital recall list, it was found that ten of the cases examined had received payments from either Medi-Cal, Medicare, third party insurance or the patient. Only one account was written off as medically indigent.

The Bureau has been informed that it may be possible for SFGH to provide various lists of accounts that would show whether Medi-Cal or Medicare have been billed by the hospital. It may also be possible for BDR to gain access to the UB 92 billing forms. Since SFGH is in the midst of enhancing their computer system, these possibilities cannot be explored until January 1996. The Bureau will meet with the hospital at that time to establish a system of capturing such various payments in a hospital report to the Bureau.

BDR Stats

BDR Graph

INVESTIGATIONS SECTION

The Investigation Section's main responsibility is to ensure that taxpayers comply with the State Revenue and Taxation Code for the County and Local Tax Ordinances of the City. The section operates basically as a support group primarily for the Property Tax, Business Tax, and Legal sections and, secondarily, for the Delinquent Revenue and License sections. Investigation of delinquencies revolves mostly around unsecured personal property taxes of the Property tax Section, and business payroll and gross receipts of the Business Tax Section.

This section is divided into three units, both functionally and physically:

Administrative Unit:

This unit is responsible for all fiscal matters, accounting and financial reports, and clearance of assignments and personnel issues for the Investigations section. It also handles Small Claims Actions, bounced check cases, Business Tax audits, and apartment/condo non-collection delinquencies. All large and problematic files are handled by the senior personnel in this office.

Field Unit:

The field investigators are the ones who have actual face-to-face contact with the taxpayers. They perform a variety of tasks in their efforts to resolve non-compliance issues. Their responsibilities are to:

- locate delinquent taxpayers
- convince them to pay their delinquent taxes
- serve legal documents on behalf of the Legal Section
- assist Business Tax in registering all business accounts

The section at present is short one investigator. The three collection officers hired in December of 1994 have been assigned to the Business Tax Amnesty program and, to date, have not been part of Investigations.

Clearance Unit:

This unit's main function is to check all business accounts for any tax delinquencies. All delinquencies must be paid in full before a Business Certificate is issued. The Business Tax Amnesty program has put a hold on many of the Clearance unit's functions.

Several major computer programs, which increasingly benefit the Investigations Section, have been implemented. The columns below list these program names and their benefits.

<u>Program</u>	<u>Benefits</u>
Business Tax System (BTS)	Accelerates searches for payroll and business accounts
TBAI	Automatically calculates and bills late payment penalties and partial payment interest on a monthly basis.
TBAX	Provides instantaneous information on all delinquent tax bills and posting of paid accounts to the taxpayers
ADBX	Provides ability to search for taxpayer by address, DBA, or name.
DEC	Provides access to Department of Motor Vehicle records for additional skip-tracing avenues to locate taxpayers.

The new computer programs have been very successful in helping with the identification of delinquent accounts from one or more prior years. The unit has been empowered to take partial payments on delinquent accounts, which provides taxpayers with an opportunity to make smaller and more frequent payments on delinquent tax bills.

For the FY 94-95 billing of UPP, we have, via computer, been able to identify accounts that have delinquent years. The word "Prior" was stamped on the FY 94-95 bills when other years were owed, thus alerting us during posting of payments to the existence of other bills.

The Investigations section will continue to work on reducing the number of open accounts and minimizing the delinquent tax ratio. The unit's ultimate goal is to reduce delinquencies from the current 5-6% to 1% within five years.

Investigations Graph

LEGAL SECTION

The Legal Section's primary function continues to be the collection of delinquent monetary claims under the Tax Collector's jurisdiction. In addition to this primary function, Legal Section acts as the legal advisor to the Tax Collector and his section supervisors on legal issues arising in the course of their respective monetary collection activities.

The majority of delinquent accounts referred to Legal Section are tax deficiency assessments from the Business Tax section. These delinquent tax assessments, often involve closely held corporations or limited partnerships and demand analysis of sophisticated commercial legal relationships before a successful collection strategy can be developed. A thorough knowledge of bankruptcy law is essential to this practice.

The remainder are medical treatment accounts, processed by the Bureau of Delinquent Revenue (BDR), from San Francisco General and Laguna Honda hospitals.

An important part of Legal Section's representation of BDR's collection efforts, involves negotiation, compromise, and litigation relating to the medical reimbursement liens which Bureau personnel file in the hospital patient's lawsuit against third parties who allegedly caused the patient's injuries. Although Legal Section personnel utilize the civil collection suit as the principal tool to enforce payment of delinquent accounts, they also employ other procedures when appropriate, including a wide ranging array of civil creditor procedures to collect delinquent accounts. Included among these procedures are claims in bankruptcy estates, decedent estates, and conservatorship estates, a variety of liens, and voluntary payment instruments.

Performance Objectives

As a separate operating section, Legal Section has its own performance objectives which were revised in 1990. Current performance objectives call for collecting \$2 million dollars of delinquent revenue per fiscal year and filing 60 civil complaints and obtaining 28 judgments during the same period.

Legal Section exceeded its monetary collection objective in FY 94-95 by collecting \$ 4,128,117. However, the number of complaints filed and judgments obtained were only partially fulfilled because substantial professional personnel time was devoted to litigating contested cases already pending in the Section inventory in addition to other issues outside of monetary collection litigation.

Legal Section attorneys successfully obtained a hearing in the California Supreme Court on their continuing effort to enforce full payment of county hospitalization 3rd party liens when sufficient funds are available from the patient's lawsuit against the third party who caused the injuries. Because of the catalyst of legal Section's aggressive actions in seeking appellate review of the adverse decision in this case, the California County Counsel Association and several California counties that maintain county hospital trauma centers have filed *amicus curiae* briefs in support of the City's position. A private hospital operating an emergency trauma care center has also filed a brief in the State Supreme Court in support of our position.

In addition, Legal Section attorneys are defending full payment of another Bureau of Delinquent hospital care lien in the California Court of Appeals. The appellate briefs in this case were prepared and filed in the California Court of Appeals during the last quarter of the fiscal year.

At the trial court level, Legal Section attorneys have commenced litigation against two attorneys who obtained a non litigated settlement of their clients personal injury claim against a third party; and distributed the settlement proceeds to their client without paying the Bureau of Delinquent Revenue's claim of lien or answering BDR's inquiries. This case is the first occasion where Legal Section has attempted to enforce payment of a BDR medical reimbursement lien against a non litigated settlement.

Legal Section attorneys successfully represented the BDR in a jury trial to enforce payment of a BDR creditor claim in a decedent estate claiming skilled nursing care costs rendered to the decedent at Laguna Honda Hospital. After the jury verdict was entered in favor of the City, the executor of the estate made a motion for new trial which Legal Section attorneys successfully rebuffed.

The aforementioned 3 cases accounted for a significant portion of Legal Section attorneys' time during the last half of the fiscal year. Nevertheless Legal Section increased its inventory of payment agreement accounts from 27 to 31 by the end of the period. These accounts represent \$ 4,487,872.94 in delinquent tax accounts which are subject to legally enforceable contracts secured by a Federal Tax lien. Thirty-three per cent (\$ 1,199,752) of Legal Section's total revenue came from this source.

In addition to the trial and appellate cases discussed above, two additional contested cases came into Legal Section's inventory when the judgment debtor succeeded in persuading the judge to set aside a previously rendered default judgment and has ordered the case to trial with all of the attendant pretrial pleadings, investigation, and trial preparation.

Legal Section continues to provide litigation services on those cases where lien holders or property claimants file a judicial foreclosure action or some other action involving title to real estate; and the Tax Collector holds the real estate tax lien. Legal Section prepares a case file, researches the existence of city liens, prepares an appropriate responsive pleading alleging the nature, amount, and priority of the city liens. Additional pretrial papers must be prepared and served, even though the main contestants in the case are not disputing the City's liens.

At the end of the fiscal year, Legal section had an inventory of 21 contested cases, including the three pending appeals and the cases where the former judgment debtor has succeeded in obtaining a trial.

Legal section statistics

Legal Section Graph

LICENSE SECTION

The License Section collects fees for nearly 150 different types of licenses and permits under five regulatory departments. These departments are:

- Department of Public Works
- Department of Public Health
- Fire Department
- Police Department
- Department of Animal Care and Control.

Issuance of new and replacement identification cards, badges and vehicle plates for approximately 8,000 drivers of public passenger vehicles under the Police Department is included as an important part of the section's collection responsibilities. The authority for the enforcement and collection of these fees is the San Francisco Municipal Code, Part III.

Rent Stabilization and Arbitration Fee

The License section continues to administer Chapter 37A of the Administrative Code. This chapter created a Rent Stabilization and Arbitration Fee in 1989. The fee is \$ 10.00 for approximately 210,000 residential units in San Francisco. Although this is a major responsibility, the public is now more conscious of this fee and the collection process is more routine than the previous two years. Compared with the previous year, over 6,500 more items were processed during FY 94-95. This is 8% greater than the Division's fiscal year estimate.

Business Licenses

The actual revenue for regulatory licenses and permits and Rent Stabilization and Arbitration Fee is \$ 9,692,623 for FY 94-95. In most priority areas, with the exception of Police Department licenses, FY 94-95 collections increased \$ 33,000 over the previous year. Fire Department licenses enjoyed a gain of 10% in new accounts for vehicle parking lots. This increase may be attributed both to the concerted efforts of the Business Tax section and the increased focus by fire inspectors on this type of activity.

Delinquent Fees Penalty

New businesses that do not respond to the initial statement of fees due are now assessed a penalty. This is a policy not previously included as part of the collection procedure. After 90 days, a delinquent report is forwarded to the regulatory departments for collection. Of 13,000 new accounts, approximately 5% are delinquent.

Department of Public Works Surcharge

This is the second year of surcharge collection for apartment houses and hotel licenses. The purpose of this surcharge is to recover the cost of acquiring office space at 1660 Mission Street for the Bureau of Building Inspection and the Department of City Planning. The surcharge ceases on June 30, 2005. Thus far, collections are at the projected level of expectation.

Dog Licenses

The Dog license project has been migrated from a manual system to an on-line system. The system interfaces with the Department of Animal Care and Control and has the capability of providing around the clock information. San Francisco is the first city to adopt this program. East Bay, North and South Bay counties will network with this system in the near future.

At the end of FY 94-95, information on dogs and their owners was accessible to program users at the animal shelter. Modems have been installed connecting the animal shelter and the Tax Collector's Office. This enables the Tax Collector to input and retrieve information directly from the animal shelter's data base. The second phase of automation is to generate receipts for payments of licenses and renewal statements on-line. The responses of dog owners to the revised dog license ordinance have thus far been positive. Owners are very receptive to the year-round flexibility in renewing licenses and the option of purchasing multiple-year licenses.

In response to budget constraints, members of the license staff are cross-trained in a broader range of collections and internal operations activities. Fifty percent of the staff are proficient in almost all licensing functions. Even though the section lost two permanent positions, it is still committed to providing taxpayers with quality service by responding to inquiries within eight hours, providing accurate information, and attempting in every way to reflect the goodwill of the department.

License Graph

❧ Acknowledgments ❧

Grateful thanks and appreciation go to the following individuals, including section managers, who have contributed time, information and effort to the preparation of this report:

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Anita Jin	License Section
Sonia Martinez	Cashier Section
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Patrick Sha	Business Tax Section
Gail D. Hemenway	Editor

Mary I. Callanan,
Treasurer

Annual Report - FY 95-96
Treasurer/Tax Collector
Department



City and County of San Francisco

Mary I. Callanan, Treasurer

Richard A. Sullivan, Tax Collector

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Mary I. Callanan, Treasurer

Richard A. Sullivan, Tax Collector

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ANNUAL REPORT OF THE TREASURER-TAX COLLECTOR

City And County Of San Francisco

As of June 30, 1996
for
Fiscal Year 95-96

SYNOPSIS

The Office of Treasurer of San Francisco is an elective office which has been in existence since 1850. For a few years, from 1850 to 1856, there were *two* Treasurers -- one for the City and one for the County, because San Francisco County also embraced nearly all of present-day San Mateo County. Following the Consolidation Act of 1856, San Francisco became a combined City and County -- the only combined City and County in the State of California. In July of 1979, a Charter amendment added the office and duties of Tax Collector to the Treasurer's responsibilities.

The Treasurer is the banker and investment officer for the citizens of San Francisco and manages the investment functions and day-to-day operations of the City's cash management program. She is responsible for an overall portfolio currently well in excess of \$ 2.3 billion. The Treasurer's basic management objectives for managing this portfolio are, in order of priority:

1. Preservation of capital
2. Availability of funds
3. Yield (favorable return on investment without undue compromise of the first two objectives)

The Treasurer is guided in investment choices by the California State Government Code which allows a wide range of investment alternatives, such as:

- Time Deposits in banks and savings and loan associations
- Negotiable Certificates of Deposits
- Treasury Bills, Notes, and Bonds
- Federal Agencies issues
- Bankers Acceptances and Commercial Paper

Real estate and common stock are strictly excluded from allowable investments.

The following report covers the fiscal year ended June 30, 1996, and contains comparative statistics and information for the past five years of investment activities and tax collection revenues.

Each month the Treasurer submits a report on investments to the Mayor, the Board of Supervisors and the Controller. This report lists the entire portfolio with a comparison of cost to current market value, investment activities and return on investments. Present return on investment is among the highest in the State and the portfolio reflects the highest quality of investment alternatives. The Treasurer's staff takes pride in the fact that, over the past five years, the Treasurer's investment program has earned \$ 579 million with full liquidity and safety of all funds. This has been accomplished by strict adherence to the Treasurer's investment policy and by avoiding risky investments such as derivatives.

The portfolio includes the proceeds of numerous General Obligation and Revenue Bond issues. The Treasurer assisted in the sale of \$ 108,070,000 General Obligation Bonds and \$ 100,000,000 of Tax Revenue Anticipation Notes (TRANS). Earnings and expenditures on all bond issues must be closely monitored due to arbitrage regulations contained in the 1986 Federal Tax Reform Act and its subsequent amendments.

In managing the cash flow of the City and County the Treasurer works closely with all departments to ensure that all funds due are received and deposited as quickly as possible. In order to accomplish this the Treasurer has negotiated contracts with various banks for such items as lockbox and credit card services. The Treasurer's office disburses cash for approximately 2.0 million checks (warrants) issued by the Controller, amounting to over \$ 4.5 billion each year. It should be noted that the Treasurer's office does not issue checks (warrants), nor have any control over the budget approvals or expenditures. Care is taken to insure that cash is available to honor checks (warrants) issued to cover approved expenditures. In addition, the Treasurer's Office receives, verifies and pays all matured general obligation bonds and coupons. This amounted to \$ 9.5 million in 1995-96, as well as book entry bond redemption and interest which was wired to the Depository Trust Company in the amount of \$ 67.4 million.



The tax collection responsibility of the Treasurer includes the collection of Property Taxes, numerous Licenses and Permits, Business Taxes, Investigations, and Delinquent Accounts due to other City departments. Annual revenue collections have increased from \$ 1.0 billion to almost \$ 1.2 billion over the past five years. Substantial detail concerning the City's tax collection activities is provided in the body of this report.

In summary, the Treasurer collects, protects and maximizes returns on all funds belonging to the citizens of the City and County of San Francisco.

*H*IGHLIGHTS OF FY 1995-96

- ◊ Richard A. Sullivan, Tax Collector, continued an all-out campaign to restructure the Tax Collector's office in order to do more with less. He established new task forces under the Total Quality Management (TQM) program to address such issues as centralization of accounting services, and improvement of check control and reconciliation procedures.
- ◊ A new Taxpayer Assistance unit was developed as the product of a previous task force. A basic orientation and training program was offered to all interested staff and finalists were selected for more detailed training in taxpayer assistance. Floorplans were drawn, modular work stations ordered, computer and telephone equipment installed, and final staff selection was made for the new unit to become operational in July, 1996.
- ◊ The first Business Tax/Payroll Tax Penalty Amnesty Program in the history of the Tax Collector's office was an immense success. It generated approximately \$5 million in Business Tax registration fees and taxes.
- ◊ Significant progress was made toward improved efficiency and productivity through full office automation. Implementation of a Local Area Network (LAN) for the Treasurer/Tax Collector Department was completed. All staff have been trained in Microsoft Windows, Word, and Excel. Specific training in certain specialized programs such as the Business Tax system, was also effected.
- ◊ The Treasurer's Office completed major restructuring of banking services, including:
 - a) conversion of the City's bank accounts from a special banking draft (warrant) account system to a less costly and more efficient commercial banking checking account system;
 - b) conversion from a bank tape system to a more efficient automatic electronic data transmission system of deposits and check payments;
 - c) implementation of a check truncation system, and
 - d) cessation of all check cashing activities.

ORGANIZATION AND BUDGET

In brief, the organization appears as follows:

TREASURER

Treasury

Chief Assistant Treasurer

◊ Treasury Division

◊ Treasurer's Cashier

Chief Investment Officer

◊ Investments

◊ Cash Management

◊ Bond & Coupon Redemption

Tax Collector

Deputy Tax Administrator

◊ Administration

◊ Tax Collector's Cashier

◊ Business Tax

◊ Property Tax

◊ Taxpayer Assistance/Licensing

◊ Legal

◊ Delinquent Revenue/
Investigations

Total budgeted expenditures for the Treasurer/Tax Collector Department for FY 1995-96, by section, were as follows:

<u>Program</u>	<u>FY 1995-96 Expenditures</u>	<u>Total Positions</u>	<u>Revenue Sources</u>
Administration	\$ 1,261,212	17	Interest Revenues & General Fund
Treasury	1,110,216	17	Interest and Miscellaneous Revenues
Investment	260,342	6	Interest Revenues & Work Order Funds
Business Tax	3,669,271	40	General Fund
Property Tax	1,688,048	16	General & Non General Fund Revenues
Licensing	711,104	11	General & Non General Fund Revenues
Legal Services	454,787	5	General Fund
Delinquent Revenue /Investigations	<u>2,513,840</u>	<u>43</u>	General Fund and Work Order Funds
Total Budgeted Expenditures for FY 95/96	<u><u>\$ 11,668,820</u></u>	<u><u>155</u></u>	

The Administration Section provides centralized support services to the programs and activities of the Treasurer/Tax Collector's Office. Goals and achievements of the various sections are detailed in the following pages of this report.

Treasurer/Tax Collector Department Administration



Mary I. Callanan, Treasurer

Mary I. Callanan, Treasurer of the City and County of San Francisco, is a native San Franciscan and has a Bachelor of Science degree in accounting and a master's degree in Business Administration from the University of San Francisco. She joined the City in 1964 following several years with the Internal Revenue Service and in private industry. She has held increasingly responsible positions with the Real Estate Department, Controller's Office, District Attorney's Office, and the Airports Commission, where she served as Chief Accountant from 1975 to 1980. She was appointed Treasurer in August 1980, and has subsequently been elected to full terms in 1981, 1985, 1989, and 1993.

By Charter, the Treasurer is responsible for the collection of taxes, the receipt of all monies collected by the City and County and their safeguard, deposit and investment in accordance with sound financial practices, and is responsible for collection of delinquent revenue. The Treasurer appoints a Tax Collector and a Chief Assistant Treasurer, both of whom serve at the pleasure of the Treasurer.

Richard A. Sullivan, Tax Collector

Mr. Sullivan, who has lived in California for over 50 years, was appointed Tax Collector by Treasurer Mary I. Callanan in 1994. Prior to that, he was the Deputy Tax Administrator for 19 years and has held numerous accounting and auditing positions with the City and County of San Francisco. He started his 38 year career in City service in the Controller's Office in 1958 as a Junior Clerk. He holds a B.A. in Accounting from San Francisco State University and a masters in Public Administration from Golden Gate University.

The Tax Collection Division receives and deposits all monies for taxes, licenses, and other fees due the City and County of San Francisco. It also provides the collection of delinquent accounts for other city departments.

Mr. Sullivan continues a vigorous campaign to restructure the Tax Collection Division in order to do more with less and to establish a more "user-friendly" atmosphere for San Francisco's taxpayers.





Treasury Division

Treasury Division

The Treasury Division's main responsibility is to account for receipt of all funds deposited by City Departments, redeem Controller's checks (warrants) and disburse funds for other legal obligations.

The Treasury Division also accepts various assets such as securities, deposits, bail bonds and miscellaneous assets from departments and holds them in a special custody safe. Computer software has been developed and customized to record all necessary information on these items. Additionally, regular written contact is maintained with the various involved departments concerning current activity and status of the assets.

The Controller's Internal Audits Section routinely examines the activities of the Treasurer's office including quarterly verification of cash on hand. In addition, an outside major accounting firm audits Treasury Division's activities in connection with the publication of the Controller's Annual Financial Statements.

The Treasurer works with the Controller, Legal Counsel, financial advisors and other departments in connection with the issuance of various bond issues. During FY 95-96, \$ 108,070,000 in taxable general obligation bonds were issued as follows:

General Obligation Bonds:

\$18,480,000	Public Safety Improvement Projects	1990 Series, 1995 A
\$26,000,000	School District Facilities Improvements	1992 Series, 1995 B
\$63,590,000	City Hall Improvement Project	Series 1996 A

These bonds were fully registered in the name of Cede & Co. as nominee of the Depository Trust Company and, therefore, available to the ultimate purchasers only under the book entry system.

Tax and Revenue Anticipation Notes (TRANS), were issued in Fiscal Year 1995-96 in the amount of \$ 100,000,000 compared to the TRANS of \$175,000,000 issued in FY 1994-95.

Additional responsibilities include monitoring absent heir deposits and payments pursuant to State Probate Code 11850; processing and reconciling street improvement deposits and payments authorized under the 1934 Street Improvement Ordinance; and performing Trustee duties in connection with deferred payment settlement trust funds resulting from large claims against the City.

TREASURER'S CASHIER SECTION

This section is responsible for the:

- Receipt of all City and County monies and checks, either through direct bank deposits, lockbox operations, credit card collections, or Treasurer's receiving window
- Payment of all Controller checks (warrants) through the Department's Clearing House Bank
- Reconciliation of the above receipts and disbursements with total cash, on a daily basis
- Daily and monthly reconciliation of Treasurer's checking accounts
- Daily input and detailed reconciliation to FAMIS (Financial Accounting and Management Information System) reports

All checks received through the Treasurer's Receiving window are encoded and microfilmed before they are deposited in the bank. Internal control is achieved by division of duties between receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks, and the accountants.

The primary objective of the Cashier Section is to process and account for the receipt of collections, departmental deposits, and disbursements made through the Cashier, by the close of the same business day. The Cashier Section accomplished this objective during the fiscal year.

In 1995-96, 1,998,000 checks were processed - a decrease of 8.3% from last year, which was due primarily to the conversion of the City's payroll system to direct deposits. Total disbursement dollars, however, increased by 7.1%.

Total receipts amounted to \$ 4.7 billion while disbursements totaled \$ 4.5 billion resulting in a June 30, 1996 cash and equity balance of \$ 2,389,403,682.

In an effort to revise and streamline the collections, deposits, and check reconciliation processes so that these can be more effective and efficient, extensive efforts and resources have been invested in automation. Consequently, several milestone events occurred in the recent history of the Cashier Section and they are listed and described below:

<u>Date</u>	<u>Event</u>	<u>Benefit/Impact</u>
1994	Beginning of Local Area Network (LAN) migration.	Replace old stand-alone models (286's and 386's) to 486 PC's in the Cashier area to allow partial conversion to Local Area Network (LAN) system.
January 1995	Discontinuance of check cashing activities at the Treasury windows	Bank took over check cashing activities without additional cost to the City or charges to City employees and other clients.
February 1995	Relocation of offices to 875 Stevenson Street as part of seismic upgrade and retrofitting of City Hall	Successfully moved numerous computers, equipment, records, cash and securities during peak collection period without any disruption of services to the public.
June 1995	Major restructuring of banking services to improve the efficiency and effectiveness of operations as well as reduce costs	<ul style="list-style-type: none"> a) Conversion from a special banking draft account system to a less costly and more efficient commercial banking checking account system. b) Conversion from a bank tape system to a more efficient automatic electronic data transmission of deposits and check payments. c) Implementation of a check truncation system which eliminated the need for costly monitoring, storage and maintenance of check files. <p>These changes resulted in cost savings and additional interest earnings of approximately \$400,000 per year.</p>
July 1995	Implementation of the On-Line FAMIS for Cash and Treasury Management	Controller's Office converted system of recording transactions from batch FAMIS to On-Line FAMIS citywide. Installation of additional PC's for connection to Controller's Main Frame computer to allow the Treasurer to access the City's Cash and Equity records and properly post cash and investment transactions.
August 1995	Direct Deposit System Option for Employees' Net Pay	Established a new, expanded direct deposit option for employees' payroll.

In February, 1995, the Treasurer/Tax Collector Department temporarily relocated from its City Hall location to 875 Stevenson Street as part of the seismic upgrade and retrofitting of City Hall. The Department successfully moved numerous computers and other data processing equipment, over 4,000 square feet of records, plus cash and securities during our peak collection period without any disruption of service to the public.

Until FY 94-95, San Francisco was one of the few remaining counties in the State that provided check cashing service. However, restricted facilities at the new location, budget constraints, and the fact that carrying large sums of money in order to cash warrants seriously jeopardized security, forced the Department to discontinue this service. Effective January 9, 1995, the Treasurer ceased cashing checks (warrants) and negotiated with the bank to take over the Treasury's check cashing activities without additional cost to the City or charges to City employees and other clients.

As part of the Treasurer's continuing effort to improve the efficiency and effectiveness of its operations as well as reduce costs, major banking services were restructured resulting in cost savings and additional interest earnings of approximately \$400,000 per year. Some of the major changes in banking services are as follows:

- As of April 1, 1995, conversion of the City's bank accounts from the obsolete and expensive special banking draft or warrant account system to a less costly and more efficient commercial banking checking account system was completed. The conversion, which was initiated some years ago, saved the City a total of \$286,000 in processing fees. The old fee was 21 cents each for warrant processing compared to 8 cents for checks, which translates to a 13-cent savings for each of the 2.2 million warrants issued per year.

The shift from special banking to commercial banking system also allowed the truncation of most of the checks. In April, 1995, the Controller and the Treasurer stopped the processing, canceling, filing, microfilming and storing of almost 2 million checks a year. Instead, within 48 hours after request, and for \$2, the bank will provide the City with a copy of the check. It is estimated that truncation saves the City at least \$100,000 per year in salaries and benefits of a Controller's Office clerk, charges for off-site storage services, and fees paid for outside microfilming service contracts.

- Effective June, 1995, automatic electronic data transmission of deposits and check payments was implemented. This new process eliminated tape errors and allowed next-day electronic data transmission compared to a two-day delay in tape transmission of warrants paid. It also accelerated and streamlined the cash recording and reconciliation process in both the Treasurer's and Controller's Offices.
- Beginning August 22, 1995, we established a new expanded direct deposit option available to all employees utilizing Bank of America as its coordinator. The new system reduced the number of checks issued by an average of 9,000 checks per pay period and also reduced the costs related to issuance and processing of payroll checks.



INVESTMENT SECTION

The goal of the Investment Section is to administer and control the investment of all monies in the Treasurer's custody that are not required for payment of current obligations. Its purpose is to maximize interest income while preserving the liquidity and safety of the principal. Its objective is to maintain all surplus funds in investments that can be easily monitored and liquidated.

The Investment Section has consistently demonstrated prudent portfolio management with excellent results. The portfolio performance for FY 95-96 is listed below:

Portfolio Performance:

Total interest received	\$ 124,027,897
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Total net earnings	\$ 132,882,435
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Average daily portfolio balance	\$ 2,162,518,267
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<u>Earned Interest Yield</u>	6.128%
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Fiscal year-end portfolio balance	\$ 2,340,652,881
-----------------------------------	------------------

MARKET VALUE (as of 6/30/96) *	\$2,360,869,660
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*plus accrued interest of \$35,489,496

Comparison Yields

	FY 95-96
Average 90 day treasury bills	5.18 %
City of Los Angeles	5.94 %
Los Angeles County	5.55 %
State Local Agency Fund	5.71 %

Many of the Bond Funds managed by the Investment Section are subject to the Tax Reform Act of 1986 which strictly limits arbitrage profits that can be enjoyed by the City and County of San Francisco.

Financial Service Subscriptions:

The Investment Section subscribes to the following computerized financial services:

- Moneymax
- Telerate Matrix System
- Dow Jones Capital Markets
- Technical Data
- Money Market Observer
- Ramirez Capital
- Thompson Financial
- Various institutional data banks
- Bloomberg Systems
- Lehman Brothers
- R.H. Wrightson
- Technical Dimension

In addition, direct wire lines are maintained by investment houses (primary government dealers) which enable the Chief Investment Officer to maximize interest income and earned interest yield, through rapid competitive bidding, as reflected in the schedule of Portfolio Statistics. The installation of personal computers (PC's) along with appropriate modems allows the investment staff to retrieve daily bank balances and supporting reports. Further, the PC's enable more sophisticated trend analyses which assist in future investment decisions. The Telerate Matrix and Bloomberg System provide instantaneous live electronic monitoring of the domestic fixed income markets.

The implementation of direct bank deposits during the early 1970's, whereby departments deposit their receipts directly to local branches of Bank of America, the City and County's concentration bank, continues to accelerate cash flow into the Treasury. Lockbox procedures are in effect for processing invoices and receipts for Department of Parking and Traffic citations, Airport, Port, and General Hospital. Tax collection receipts, and other city department receipts, are received for processing through the NCR Remittance Processing System for direct bank remittance. These procedures provide early deposit of receipts plus reduced bank charges.

The Investment Staff continues to monitor and invest all funds that flow through the remittance processing system by electronic access. All funds are transferred by Fed-wire to the concentration accounts for Controller disbursement or Treasurer investment.

Besides the aforementioned procedures, credit cards are accepted for payment of traffic fines, towing and storage fees, misdemeanor bails, library fees, and Bureau of Vital Statistics fees. This process has resulted in the reduction of bad checks, acceleration of payments and immediate availability of funds for investment.

Cash Manager:

The Cash Manager assists the Chief Investment Officer. The Cash Manager's primary responsibilities include:

- Ensuring compliance with Charter mandate that all revenues deposited with City departments are received and receipted in the Treasurer's Office by the next business day.
- Analyzing cash flow throughout the City and developing a cash flow system.
- Initiating and modifying cash flow procedures.
- Establishing and maintaining banking relationships.
- Advising and making recommendations to City and County department personnel regarding cash management procedures and policies.
- Assisting the Chief Investment Officer in administering cash management and investment policies.
- Managing the bond and coupon redemption program.
- Co-administering the bond arbitrage rebate program with the Controller to ensure accurate records are maintained, proper procedures are followed, and timely payments are made to the Federal Government.

Extended application of these procedures to other programs is an ongoing process and continues to increase revenues and provide improved taxpayer assistance while containing costs.

In FY 95-96, the Cash Manager continued to perform the function of redeeming general obligation bonds and coupons and registered bonds and bond interest.

Significant events described below, led to the reorganization of the bond and coupon section, which received, verified, and paid all matured bonds and coupons (bond interest) either locally or through the Depository Trust Company.

<u>Date</u>	<u>Event</u>
March 19, 1991	Fiscal agent Citibank in New York resigned as co-paying agent. The City and County of San Francisco Treasurer Bond & Coupon Section became the sole paying agent for the redemption of all bearer bonds and coupons maturities until April 1, 1992.
April 1, 1992	Bank of America's Corporate Trust Department became the paying, transfer, and registration agent for all general obligation bearer bonds issued prior to 1986.

Significant Events (Cont'd)

<u>Date</u>	<u>Event</u>
April 1, 1992	Bond and Coupon Supervisor retired from City service, leaving the position vacant for the entire FY 92-93.
July 1, 1992	Bond and Coupon Section was eliminated and the function assigned to the Investments Section.
October 1, 1995	First Trust of California purchased Bank of America's Corporate Trust Department and assumed the responsibilities as the paying, transfer and registration agent for all general obligation bearer bonds issued prior to 1986.

Through perseverance and dedication to quality control, the Cash Manager, with the assistance of the paying and transfer agent, achieved all the objectives of the section. During FY 95-96, bonds and coupons amounting to \$ 9,466,244 were redeemed. All matured bonds and coupons presented for redemption by person or mail were promptly and satisfactorily paid. In FY 95-96, there were 38 transactions involving new registrations and re-registrations of general obligation bonds. Book entry bond redemption and interest payments amounting to \$ 67,397,007 were wired to the Depository Trust Company.

All financial institutions have been advised of the City's MacBride Principles Ordinance which pertains to fair employment practices in Northern Ireland. It is the policy of the Treasurer to support these principles and encourage financial institutions to assist those companies which abide by the principles.

PORTFOLIO STATISTICS

	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96
ALL FUNDS					
Interest Received	\$117,128,173	\$102,164,657	\$105,985,586	\$119,815,140	\$124,027,897
Total Interest Earned	\$112,397,920	\$99,750,412	\$109,091,268	\$124,645,050	\$132,882,435
Average Daily Balance	\$1,442,817,318	\$1,589,402,680	\$2,063,517,964	\$2,014,978,043	\$2,162,518,267
Earned Interest Yield	7.77%	6.28%	5.287%	6.186%	6.128%

POOLED FUNDS

Interest Received	\$69,712,226	\$63,351,155	\$70,094,203	\$80,238,672	\$79,265,726
Total Interest Earned	\$66,858,500	\$63,702,410	\$71,308,709	\$86,240,445	\$80,011,024
Average Daily Balance	\$823,933,659	\$892,808,190	\$1,194,904,865	\$1,333,940,164	\$1,251,335,288
Earned Interest Yield	8.09%	7.14%	5.968%	6.465%	6.377%



Tax Collection Division

Tax Collection Division

The Tax Collection Division receives and deposits all monies for taxes, licenses and other fees due the City and County of San Francisco under the direction of the Treasurer, in accordance with the provisions of the Charter and the City's Administrative Code. It also provides the collection of delinquent accounts for other City Departments. In order to be effective, this work requires coordination with other agencies of the City and County, the Board of Supervisors and the State of California, as well as other tax administrators and policy bodies.

The office aims to provide an equitable and efficient collection of property taxes, business taxes, licenses, and miscellaneous fees in accordance with State Law and City ordinances, and at the same time, maximize investment return by expeditiously processing and depositing receipts.

The Tax Collector supervises seven operating sections: Administration, Cashier, Property Tax (Real Estate), Business Taxes and Audits, Delinquent Revenue Collection and Investigations, Legal, and Taxpayer Assistance/Licensing. The sections have the following basic goals:

- to provide centralized administrative services for the department and to provide support of divisional program activities.
- to provide centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.
- to maintain a post-audit program to determine the accuracy of taxpayer reports and to levy additional taxes, if the audit indicates an underpayment.
- to administer and collect such taxes as the Business Tax, the Payroll Expense Tax, Parking Tax, Hotel Tax, Utility Tax, Stadium Admission Tax, and Transient Occupancy Tax.
- to provide centralized collection and resolution of delinquent accounts in excess of 90 days for all City and County of San Francisco departments except those under the jurisdiction of the Public Service Enterprises.
- to collect fees for Licenses and Permits which are required by the Municipal Code and to collect Dog License fees.

The functions of each section are described in more detail in the body of this report. The narratives also include individual program goal statements directed toward the achievement of timely, quality public service. Together they express the main objective of the Tax Collector's Office: to maximize revenues in order to finance vital services and functions for the City and County of San Francisco.

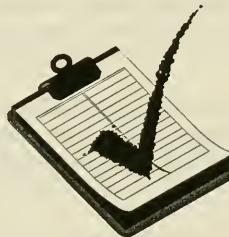
Brief History

In FY 92-93, the Tax Collector's Office was hit with the loss of twenty-one positions in a very short period of time. Seven were lost to early retirement under a program offered to employees after passage of Proposition "A". An additional fourteen were lost during budget reductions resulting from a city-wide budget deficit. The full impact of the loss was to be felt in FY 93-94.

In response to these staff reductions, the Tax Collector's Office prepared to face head-on the difficulties and possible revenue shortfalls that would lie ahead. A complicating factor was a significant increase in program scope and/or workload. This resulted when the San Francisco Board of Supervisors approved 16 new local ordinances, over a 14 month period, including business tax ordinance changes and new revenue measures, without a commensurate increase in staffing.

Richard A. Sullivan became Tax Collector on July 1 of FY 94-95. He succeeded the late Thad Brown who retired after thirty five years of service. Mr. Sullivan, who had served as Deputy Tax Administrator since 1975, began an all-out campaign to restructure the Tax Collector's Office in order to do more with less.

An early activity was participation in a management audit conducted by the Budget Analyst's Office. The audit report presented detailed recommendations which supported and commended actions which the Tax Collector had already initiated. While still Deputy Tax Administrator, Mr. Sullivan had begun a Total Quality Management program which resulted in two in-house task forces.



A task force, which focused on Taxpayer Assistance, recommended centralization of this function and suggested staffing it with generalists who could offer the equivalent of "one stop shopping". Another task force focused on the issue of centralizing accounting services. The recommendations of these first two task forces, which will be implemented in FY 96-97, were given strong endorsement in the Budget Analyst's management audit report.

Subsequent to these activities, a third task force has targeted reconciliation procedures and made specific recommendations which are now under review by management.

Another major activity was the first Business/Payroll Tax Penalty Amnesty program in the history of the Tax Collector's office. This highly successful program, which generated approximately \$5 million in Business Tax registration fees and taxes, is discussed in greater detail in the Business Tax section of this report.

Highlights of Achievements in Automation

<u>Date</u>	<u>Event</u>	<u>Benefit/Impact</u>
1990	An Interactive Voice Response (IVR) was installed for use of property taxpayers.	Improved ability to handle high call volume during peak periods; callers helped immediately instead of getting a busy signal for long periods.
	A new generation of NCR remittance processor replaced the original, ten- year-old equipment.	Obsolete equipment replaced with faster and more efficient processor, resulting in much quicker check deposits, both daily and during peak periods.
1991	Ten PC-based cashiering workstations were installed at all Cashier windows and connected in a local area network (LAN).	Faster payments and shorter lines for all taxpayers based on high-speed automated cashiering operation.
1992	Business Tax System (BTS) implemented after a five- year development cycle.	First comprehensive on-line database of business tax accounts with all associated financial and business history available for research and reporting.
1993	Began plans to migrate Wang users to PC-based local area networks (LAN).	Industry-standard tools, faster access to applications and ability to share information among applications and among end users from workstation to workstation.
1994	Migration to LAN 65% complete by year end and new users fully trained in Microsoft Word and Excel.	Enhanced ability of users to produce reports and financial documents including annual budget request in a timely and meaningful fashion.
1995	Columbia Ultimate Business System (CUBS), a collection system, nears completion of development stage and initial training of staff.	Increased ability to pursue delinquent debtors by centralizing information on tax indebtedness and enabling automated dialing. Managers better able to monitor work performance of collections officers.

ADMINISTRATION SECTION

The staff of this section continued to provide centralized administrative support services to the Department in the areas of budget and finance; information and data processing; telecommunications; payroll; personnel; purchasing and supply; equipment and facilities maintenance; and general office administration.

Management Information Services

This year the Treasurer/Tax Collector Department completed conversion to a state of the art, PC-based Local Area Network (LAN) system. This system is used for automation and telecommunication services and includes industry-standard hardware and software such as Microsoft Word and Excel. This access to more powerful computing tools can be expected to enhance the productivity of the staff and enable more timely production of significant financial and budget reports and documents.

At the close of the fiscal year, all staff had been given training in use of PC hardware and software and in increased communications capability through the LAN system. New hires are now coming in already familiar with PC-based word processing and spreadsheet products.

Administration

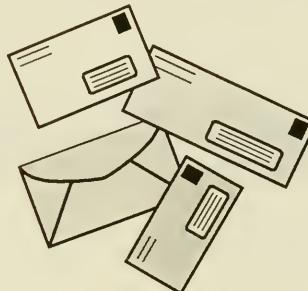
Administrative staff continued throughout the year to handle all administrative services for the entire Treasurer/Tax Collector Department. The primary goals of the Administration section continue to be:

- to provide data processing and administrative support services to all staff in a comprehensive and efficient manner as a means of increasing their productivity and improving service to the public.
- to provide revenue-generating staff with automated tools that will enable them to spend less time on clerical and document-processing functions and more time on revenue-generating activities.
- to utilize data processing and telecommunications systems that follow industry standards and provide a flexible base for future growth and development.

TAX COLLECTOR'S CASHIER SECTION

The Cashier Section receives, and accounts for, all payments of taxes, licenses, and other revenues, whether taken over the counter in cash or by check, or received through the mail. The section maintains internal control of all payments. This is done by a system of numeric identification data, along with batch data. The section microfilms the checks connected with each payment.

The Cashier Section also opens, sorts, and processes all mail received by the Tax Collector's Office. All checks with proper supporting documents are processed immediately. Checks without proper supporting documents, or which need verification, will undergo standard check control processing. This procedure ensures that all payments are correctly identified and recorded.



During FY 95-96, the Cashier section continued to improve and expand on its system of a Local Area Network (LAN) of eleven workstations. Additional fields of information were added to payment printout receipts and management reports to better identify tax payment items. The processing of all of these items was performed by a staff of nine permanent employees. Additional temporary employees, both cashiers and clerks, were hired during the peak periods of Property Tax and other major collections.

In the new fiscal year, the section will continue to improve and upgrade its workstations. Plans are to install new, more powerful workstations that will greatly enhance the speed of processing items. All workstations are to be connected to the IBM mainframe through a telecommunications link, in addition to the cashiering workstations and the remittance processing LAN's. This configuration will enable all aspects of the Tax Collector's cash management system to have direct access to the files on the IBM mainframe.

The section plans to install two letter-opening machines with the capability of opening and sorting mail. This will allow the section to greatly improve its efficiency and use of staff. They are also investigating the possibility of the use of credit cards for the payment of taxes, fees and licenses.

The total number of items processed by the Cashier's staff was 578,612, resulting in total revenue of \$1,197,856,259. This was an increase of \$ 11,231,269 over last year's figure of \$1,186,624,990. The yearly high amount of revenue processed in a single day -- \$67,250,898 -- was set by the Cashier's staff on December 11, 1995.

Retail Sales and Local Transportation Tax

The State of California, acting since 1958 as the agent of the City and County of San Francisco, collects the San Francisco Uniform Sales and Use Tax and returns revenues minus costs to the City and County. The State collected an additional sum of \$ 25,276,273 for deposit in the Local Transportation Special Fund. Together, these items represented a total of \$ 126,891,037.

Note: The Cashier's figures do not match those of the Property Tax and Business Tax sections. The Cashier's figures represent the amounts originally collected, before adjustments, whereas the other two sections' figures, as per the notes on their respective statistical tables, represent the amounts adjusted for transfers, duplicates, and overpayments.

Cashier's Section -- Statistical Activity
Comparison of Collections

TYPE OF COLLECTION	FY 91-92		FY 92-93		FY 93-94		FY 94-95		FY 95-96	
	Amount Processed	Items Processed								
Real Estate Tax	\$522,788,612	290,751	\$571,621,411	303,192	\$587,439,946	310,191	\$617,015,288	310,049	\$601,570,918	311,754
Real Estate Supplemental Tax	13,600,711	18,044	11,776,370	16,007	10,060,247	14,507	9,954,608	15,848	7,141,366	9,852
Unsecured Personal Property Tax	63,489,790	36,242	63,261,672	37,108	66,544,442	38,824	62,825,577	38,665	64,033,435	37,682
UPP Supplemental	3,009,329	1,440	881,458	1,255	388,836	907	813,457	1,106	366,952	915
Business Tax	17,902,134	4,398	17,755,971	34,595	24,946,252	41,011	22,989,687	41,177	23,466,512	46,126
Business Registration	7,139,598	41,260	6,888,517	45,021	7,928,377	56,563	7,879,535	57,885	8,817,760	64,898
Business Tax Amnesty Program*	..	.. *	..	.. *	..	.. *	..	.. *	..	..
Payroll Tax	121,379,306	11,734	129,756,013	18,800	149,900,725	17,900	128,151,284	17,929	141,622,929	22,293
Hotel Tax	71,396,499	1,447	75,689,932	3,067	95,901,142	5,072	93,583,771	4,772	98,940,792	4,909
Parking Tax	24,893,230	1,160	27,936,283	1,316	34,758,055	2,590	30,926,089	3,039	34,618,789	3,128
Utility Tax	27,358,813	282	36,350,700	415	43,543,584	630	50,464,616	838	52,410,412	1,060
Stadium Tax	563,283	9	1,296,235	10	2,276,205	18	2,498,563	16	2,791,934	26
Vehicle Renter**	..	.. *	..	.. *	..	.. *	..	.. *	..	..
Licenses	8,753,905	107,718	8,982,099	85,130	9,645,558	84,399	9,692,624	88,294	8,538,284	53,263
Retail Sales & Local Transport.	104,515,882	24	105,001,531	24	106,336,302	24	113,353,993	24	126,891,037	24
Roofers Fees	12,933	110	11,313	99	11,160	98	9,330	87	9,644	79
Tax Redemption	22,739,713	5,485	26,590,416	5,366	24,094,271	5,810	23,397,377	5,276	18,719,436	5,175
Delinquent Revenue	3,100,024	12,990	3,098,606	11,859	3,046,444	10,874	2,844,661	11,998	2,538,549	11,936
Voluntary Art Fund	54,869	3,076	52,079	2,740	51,218	2,448	51,414	2,453	58,705	2,513
Other	4,135,014	624	173,214	542	45,199	557	3,465,961	3,940	4,632,544	2,788
TOTALS	\$1,016,833,645	536,794	\$1,087,103,820	566,546	\$1,167,731,863	592,459	\$1,186,624,990	614,628	\$1,197,856,259	578,612

* One time Business Tax Amnesty.

** Vehicle Renter Tax new in FY 93-94.

Sources of Revenue - FY 95-96

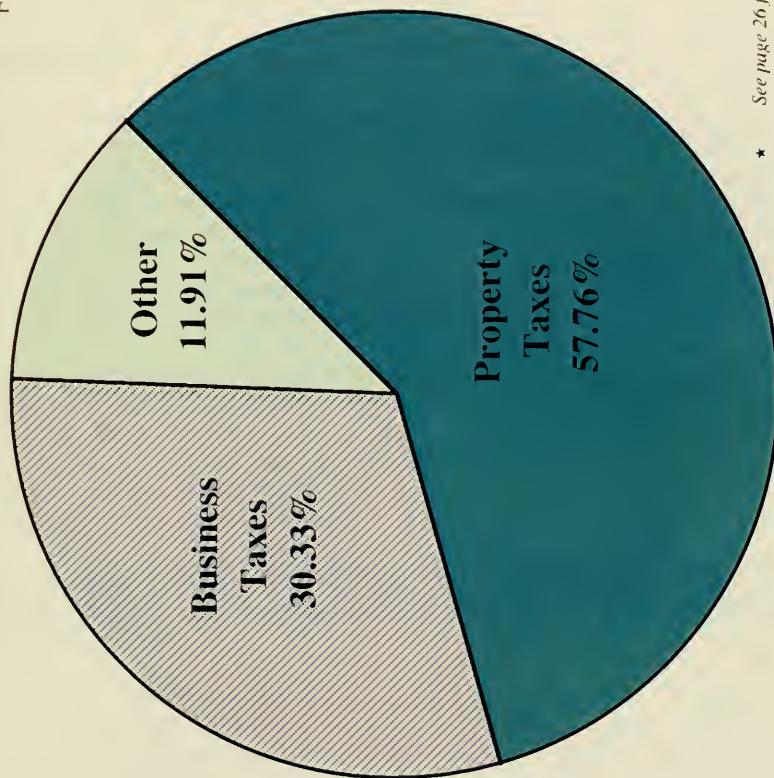
Treasurer/Tax Collector Department

CATEGORIES	Revenue	Percentages
Property Taxes		
Real Estate Tax	601,570,918	50.22%
Real Estate Supplemental Tax	7,141,366	0.596%
Unsecured Personal Property Tax	64,033,435	5.346%
UPP Supplemental	366,952	0.031%
Tax Redemption	18,719,436	1.563%
Total Property Taxes	691,832,107	57.756%
Business Taxes		
Business Tax	23,466,512	1.959%
Business Registration	8,817,760	0.736%
Business Tax Penalty Amnesty	99,909	0.008%
Payroll Tax	141,622,929	11.823%
Hotel Tax	98,940,792	8.260%
Parking Tax	34,618,789	2.890%
Utility Tax	52,410,412	4.375%
Stadium Tax	2,791,934	0.233%
Vehicle Renter Tax	586,352	0.049%
Total Business Tax	363,355,389	30.334%
Other		
Licenses	8,538,284	0.713%
Retail Sales & Local Transport.	126,891,037	10.593%
Roofers Fees	9,644	0.001%
Delinquent Revenue	2,538,549	0.212%
Voluntary Art Fund	58,705	0.005%
Other	4,632,544	0.387%
Total all other	142,668,763	11.910%
Totals	<u>1,197,856,259</u>	100.000%

(See graph on p. 27)

Sources of Revenue

Treasurer/Tax Collector Department
FY 95-96



* See page 26 for detail.

PROPERTY TAX SECTION

The Property Tax Section collects, records, and reports payments of secured and unsecured property taxes and special assessments. The section has two major units: Real Estate and Tax Redemption Bureau.

Real Estate Unit

This unit began the tax collection process with the mailing of property tax bills. It dispatched more than 240,000 bills, including more than 50,000 unsecured tax bills, approximately 9,000 supplemental tax bills, and over 1,500 escape bills, throughout the year. In FY 95-96, it made its biggest posting in mid-October, as it mailed approximately 170,000 secured property tax bills. This event took place two weeks earlier than the date required by the State Revenue and Taxation code of November 1. The nature of both the unsecured, supplemental and escape tax bills required individual monthly mailings rather than one big mailing as was the case for the regular secured tax roll.

In FY 95-96, the Property Tax Section received approximately 400,000 tax payments and collected \$ 681,321,229 in tax revenues. The NCR remittance processors processed most of these payments electronically and the Cashier processed the rest through her cashing LAN (Local Area Network) system. Regardless of the way in which they were handled, these payments must be recorded and reconciled. Afterwards, this section prepared the collection reports promptly and efficiently.

The public made more than 200,000 inquiries, either by mail, telephone, or walk-ins. Additionally, the Automated Information Line recorded more than 50,000 calls. Most of these inquiries involved:

- prorated tax bills
- revised tax bills
- duplicate tax bills
- explanations of tax bills
- refunds of duplicate/overpayments
- change of mailing address
- special assessments
- utilities liens

The increase in number of inquiries was a direct result of the considerable increase in taxpayers' requests for reassessment of their property value.

Assessment oversights sometimes resulted in corrected tax bills being issued. The tax liability on these corrected tax bills could be either over- or under-stated. If it was the former, the Tax Collector had to refund the difference to the taxpayer. Otherwise, the difference had to be remitted to the Tax Collector.

Objectives:

The Property Tax Section set and met the following objectives:

- To complete mailing of all current year secured tax bills by November 1
- To process all refunds of duplicate and over payments of current and prior years within 60 days.
- To process within three days all secured payments received on or before December 10 and April 10.
- To post and reconcile within sixty days all secured payments received on or before December 10 and April 10.
- To post and reconcile within forty-five days all unsecured payments received on or before August 31.
- To provide a list of delinquent unsecured accounts as of August 31 to the Investigation Section by October 15.
- To mail 100% of non-penalty courtesy letters within seven days of receipt from Cashier.

Tax Redemption Unit

This unit processed and computed payments of prior years' delinquent secured property taxes. It maintained complete listings and accounting records of prior years' delinquent property taxes, penalties, costs, redemption penalties and fees. It also maintained complete records on taxes being paid under the five-year installment payment plan. In FY 95-96, taxpayers redeemed 3,739 tax-defaulted parcels to produce a tax revenue of \$ 17,969,056 -- a 23% decrease from previous years' revenue collections.

An on-line automated financial system maintained the accounting records for delinquent taxes outstanding and collected. It automatically accumulated the tax liability on a monthly basis until the property was either redeemed or sold. It has inquiry, update, and payment recording capabilities.

The unit received a high volume of inquiries from the following entities:

- general public
- title insurance companies
- mortgage companies
- savings and loan companies
- banks
- tax service agencies

Most inquiries involved the:

- interpretation of the State Revenue and Taxation Code
- current tax status
- computation of taxes and penalties
- requests for Certificate of Redemption
- explanation of 5-year installment payment plan

To perform these functions effectively, this unit fostered a close relationship with the offices of the City Controller, Assessor, Recorder, and State Controller.

The Tax Redemption Unit also prepared lists of properties that had become tax-defaulted and, consequently, were subject to sale. In compliance with state law, the Tax Redemption Unit published the Delinquent List in September 1996 as well as the Notice of Impending Tax Default and the Notice of Power and Intent to Sell Tax-Defaulted Property in June 1996 in the local newspaper.

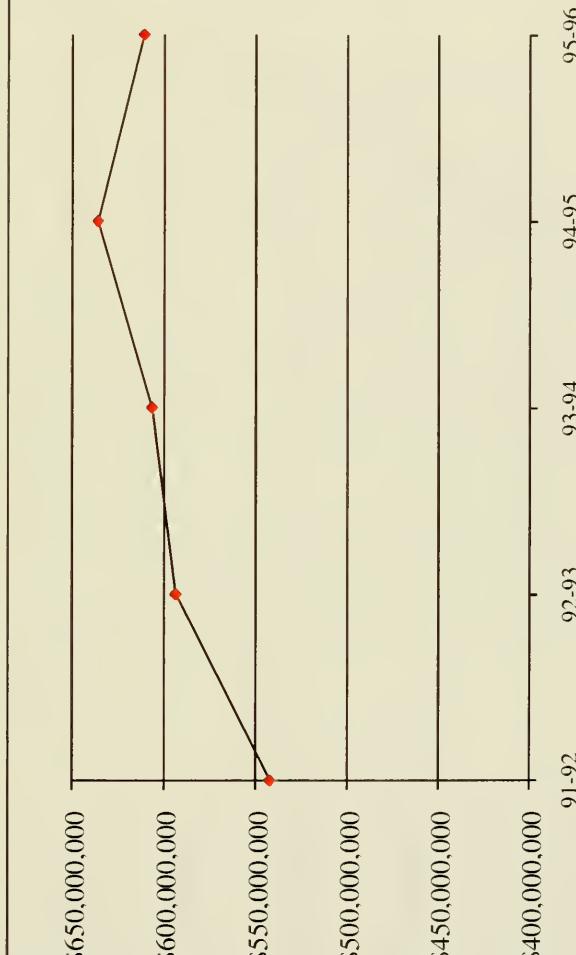
Property Tax Section -- Statistical Activity

Comparative Tax Collection Report

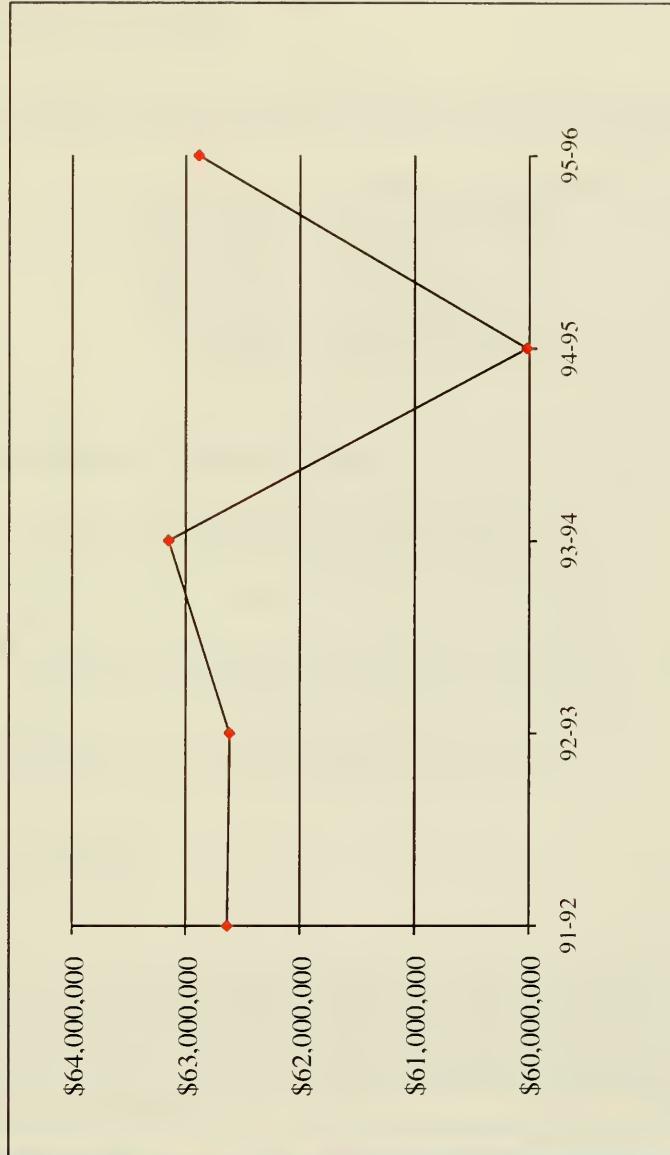
TYPE OF COLLECTION	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96
<u>Secured Property</u>					
Current Year	\$519,914,010	\$567,973,523	583,074,455	613,909,404	593,173,814
Prior Year Redemptions	22,477,666	25,800,515	23,659,235	22,266,281	17,969,056
TOTAL SECURED	\$542,391,676	\$593,776,038	\$606,733,690	\$636,175,685	\$611,142,870
<u>Unsecured Property</u>					
Prepaid	\$544,275	\$350,950	763,982	730,172	765,659
Current Year	57,974,827	59,240,068	60,940,515	58,649,813	59,729,106
Prior Years	4,117,843	3,028,039	1,447,582	644,005	2,395,351
TOTAL UNSECURED	\$62,636,945	\$62,619,057	\$63,152,079	\$60,023,990	\$62,890,116
<u>Supplemental</u>					
Secured	\$13,054,949	\$11,085,641	\$9,024,463	\$9,730,271	\$6,924,345
Unsecured	2,981,912	854,742	337,221	719,362	363,898
TOTAL SUPPLEMENTAL	\$16,036,861	\$11,940,383	\$9,361,684	\$10,449,633	\$7,288,243
TOTAL COLLECTIONS	\$621,065,482	\$668,335,478	\$679,247,453	\$706,649,308	\$681,321,229

Amounts in the Cashier's Report are before adjustments. Amounts in this report are adjusted due to transfers, duplicates and overpayments thus differing in affected categories from the Cashier's Report.

Secured Property Tax



Unsecured Property Tax



BUSINESS TAX SECTION

The Business Tax Section is responsible for implementing the following tax ordinances under City and County of San Francisco Municipal Code, Part III, Revenue and Finance:

Article 12-A	Sec. 901 et. seq.	Payroll Expense Tax Ordinance
Article 12-B	Sec.1001 et. seq.	Business Tax Ordinance
Article 7	Sec.501 et. seq.	Transient Occupancy Tax
Article 9	Sec.601 et. seq.	Parking Tax
Article 10	Sec.701 et. seq.	Utility Users Tax
Article 11	Sec.801 et. seq.	Stadium Admission Tax
Article 12-B	Sec.1007.1	Roofers Vehicle Tag
Article 12-B	Sec.1002.9	Registration Fee

The mission of the Business Tax Section is as follows:

- To provide taxpayers with the highest level of assistance and information in registering their businesses, filing their returns, and other tax matters.
- To efficiently maintain taxpayers accounts and files on the automated Business Tax System (BTS).
- To provide City departments with quality information in the most effective and efficient manner.
- To perform compliance audits and to promote taxpayer compliance with the City's tax ordinances.

1995-96 Fiscal Year Highlights:

Audits

- In addition to local audits, the out-of-state Audit Program was conducted for the seventh consecutive year to audit businesses with offices in major cities outside of San Francisco. Five auditors were sent for two weeks to Washington D.C., and to several cities located in Maryland, Virginia, New York, and Ohio, a trip which generated approximately \$1.2 million in out-of-state deficiency billings, with only approximately \$29,000 in travel/per diem costs to the City and County of San Francisco.
- This fiscal year, auditors conducting out-of-state audits have been provided with laptop computers to better assist them with their auditing functions.

- With the implementation of an annual audit plan to meet new audit goals and objectives, regular audit deficiency billings increased by 40% from \$5,658,563 last fiscal year to \$7,899,867 this fiscal year. In addition to the regular audit deficiency billings, four large parking audits outside of the regular deficiency billings brought in a combined total of \$3,327,056, which increased the total audit deficiency billings to \$11,226,923 this fiscal year, an all time high.
- With the on-going restructuring of the Business Tax Section and the establishment of the Accounting Unit, auditors were able to concentrate on field audits by doubling this years audits to 677 annually from 321 last year, a 111% improvement.



- With the streamlining of policies and procedures, Lien Procedures for filing with the Recorder's Office have been implemented for Business Tax audit receivables.
- The Business Tax Amnesty Program has been finally closed out, which brought in \$99,909 this fiscal year with a total amnesty revenue of \$5,334,290.

Accounting

- During this fiscal year, the Business Tax Section completed the establishment of an Accounting Unit to better handle taxpayer accounts, data entry, and other business tax-related issues. This restructuring should improve the overall tax collection, provide various support functions and enhance the ability of the Tax Collector's Office to deliver better intra-departmental and taxpayer services. This restructuring has enabled the release of audit staff from performance of such functions and permitted reassignment to field audits.
- Since the establishment of the Accounting Unit, the Business Tax section has accomplished the following:
 - ◊ Automated processing of the Gross Receipts and Payroll Expense Tax statements (EZ form), utilizing a Scantron System, which increased productivity of statement processing by 50%, reducing turnaround time from a six months processing period to three months.
 - ◊ Implementation of general guidelines for a waiver of penalties. Staff has effectively completed and processed a backlog of 3,000 requests for waiver of penalty.

- ◊ Initiated a Taxpayer Reminder Filing Notice addressed to 65,000 business taxpayers resulting in approximately 8,000 more taxpayers filing earlier than in any previous fiscal year. This brought collections of approximately \$15 million in earlier, compared to the figures of last fiscal year.

Office Administration

- During FY 95-96, the Board of Supervisors passed the Summer Youth Tax Credit Ordinance to provide a tax credit for calendar year 1996 as an incentive to businesses to hire summer youths without displacing current jobholders. Employment of disadvantaged youths would yield 100% of the tax credit. Employment of all other youth would result in 50% of the tax credit. In the first case, the credit is calculated by multiplying Payroll Expense by the tax rate of 1.5%. In the second case, the credit is calculated by multiplying 50% of Payroll Expense by the same rate of 1.5%. The results will become apparent in calendar 1997.
- The New Jobs Tax Credit Ordinance was extended until the year 2001. Business Tax staff continue to provide the necessary assistance to taxpayers who claim this credit.
- A Taxicab Driver Report was completed as a response to comments presented in the Budget Analyst's Management Report concerning the status of taxicab drivers. Two surveys were conducted: one directed to taxicab drivers and one to taxicab companies. The report was submitted to the Board of Supervisors with suggestions that taxicab drivers be regarded as either independent contractors or employees of taxicab companies. A final decision defining the status of the drivers is pending and will be determined next fiscal year.
- The Vehicle Renter Tax was discontinued as of June 30, 1995. The collection figure represents revenue from this source which was posted in FY 95-96.
- The Emergency Response Fee, instituted in 1994, was deemed the most practical and equitable temporary revenue mechanism to finance the acquisition and construction of land, equipment, software and facilities necessary to provide an adequate and reliable 911 emergency dispatch and communications system under a single uniform command structure. The fee will expire when all eligible project costs have been recovered. As of June 30, 1996, \$ 7.7 million has been recovered from this fee which appears on residential and commercial telephone bills.

Business Tax Section -- Statistical Activity

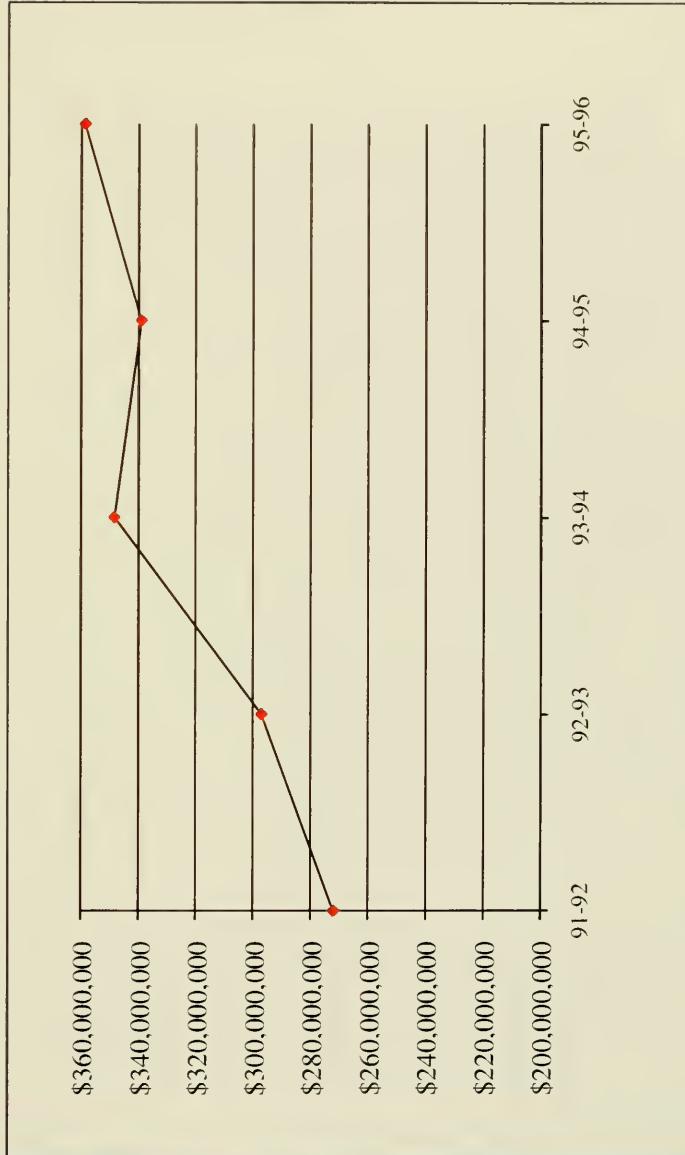
TAX COLLECTION

	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96
Payroll/Business Tax	\$139,281,440	\$147,511,982	\$164,581,432	\$143,108,308	\$159,176,195
Utility Tax (1)	28,104,704	37,273,581	34,740,983	50,464,616	52,410,412
Parking Tax (1)	25,470,022	28,495,139	43,543,585	30,926,090	34,618,791
Hotel Tax	71,396,499	75,689,933	94,538,696	93,583,771	98,940,792
Stadium Tax	563,283	1,296,235	2,276,206	2,498,563	2,791,933
Registration Fee	7,139,598	6,868,518	7,928,487	7,879,534	8,687,272
Roofers Vehicle Tag Fee	12,933	11,313	11,340	9,330	9,554
Vehicle Renter Tax	0	0	813,900	2,090,979	586,352
Emergency Response Tax	0	0	0	3,263,750	4,453,172
Amnesty Program	0	0	0	5,234,381	99,909
TOTAL	\$271,968,479	\$297,146,701	\$348,434,629	\$339,059,322	\$361,774,382

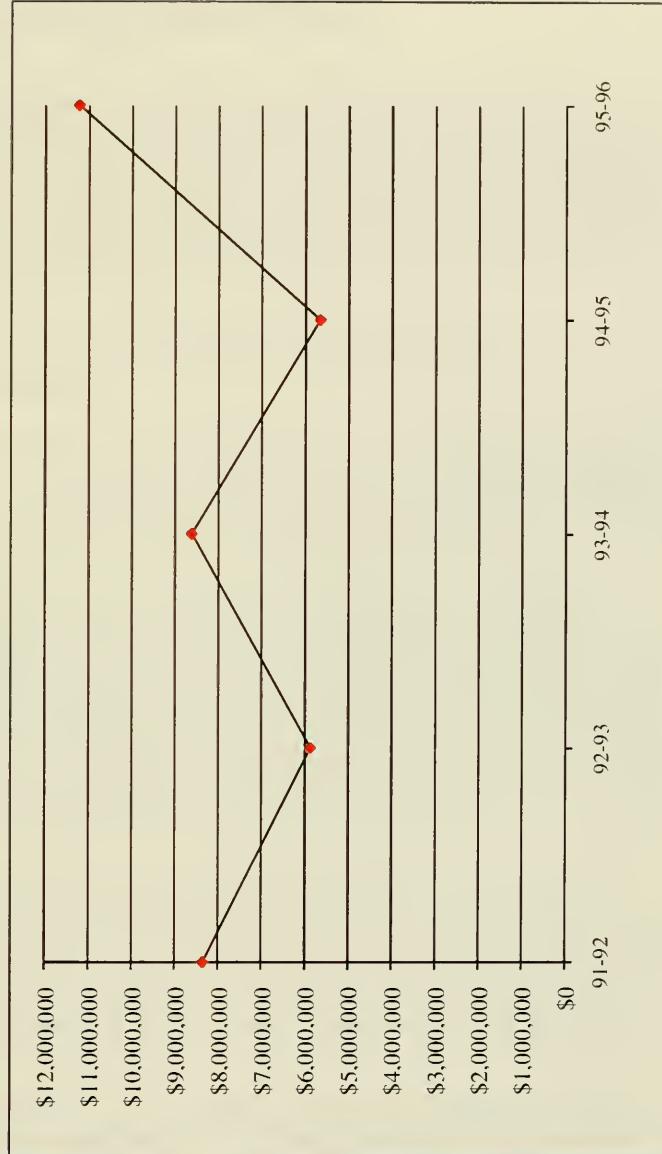
AUDIT RESULTS:

	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96
Audit Hours	4,865.0	2,666.0	5,625.0	5,063.0	12,170.0
Audits Completed	366.0	209.0	386.0	321.0	677.0
Average Hours/Audit	13.3	12.8	14.6	15.8	18.0
Average Billings/Audit	\$22,820	\$28,106	\$22,334	\$17,628	\$16,583
Average Billings/Hour	\$1,717	\$2,203	\$1,533	\$1,118	\$923
Audit Deficiency Billing	\$8,352,042	\$5,874,170	\$8,621,045	\$5,658,563	\$11,226,923

Business Taxes



Audit Billings



BUREAU OF DELINQUENT REVENUE

The Bureau of Delinquent Revenue (BDR) provides collection services to various departments of the City and County of San Francisco as authorized by the San Francisco Administrative Code, Section 10.38, with the exception of Public Service agencies. If City departments are unable to collect monies owed them within 90 days, accounts are referred to BDR for collection. Currently, the Bureau has open accounts for 18 different departments. The bulk of BDR collections originate from San Francisco General Hospital (SFGH) referrals.

The Bureau of Delinquent Revenue consists of three collection units:

1. Medical Collection Unit

While a majority of the accounts are comprised of medical debts, collections officers also work on accounts involving property damage, unpaid public work permits, defaulted small business loans, and several other types of debt. All delinquent accounts referred to BDR under Section 10.38 of the cited code are processed in this unit.

A debate continues between San Francisco General Hospital and the Bureau of Delinquent Revenue concerning appropriate crediting of BDR's collection efforts. At present, BDR does not receive credit for those delinquent payments which are made directly to the hospital even though such payment was a result of BDR's efforts. It has been brought to the attention of SFGH that had BDR not made successful contact with the debtor, insurance information could not have been obtained to enable presentation of claims. In addition, it is necessary for BDR employees to manually type information on UB92 forms for insurance billings, even though SFGH has the forms on-line. SFGH is considering these factors, but the policy has not yet been changed.

SFGH already has credit card payment processing capabilities. If a debtor wishes to pay by credit card, the appropriate information is faxed from BDR to SFGH for processing. To bypass this time-consuming payment process, BDR proposes payment by credit card to be processed directly at the Treasurer/Tax Collector Department. This project would entail the installation of a dedicated line, configured such that money received will be credited to the SFGH account at Bank of America; a point of sale terminal; and a printer.

Currently, BDR receives, on average, one (1) credit card charge per week. To gauge debtor response, BDR is conducting tests with billing notices which will include the option of paying by credit card.

2. Escrow & Bankruptcy Unit

This unit conducts research and collects on unpaid fees and taxes by submitting claims through escrow and bankruptcy proceedings.

- ❖ In escrow situations, funds are held by a third party and distributed when certain conditions are met. In order to maximize the collection potential of taxes and other City claims, BDR submits its demand to the escrow holders prior to the final sale of any business or real property. This potential diminishes considerably unless claims are filed timely and promptly.
- ❖ In bankruptcy cases, creditor claims must be timely filed during bankruptcy proceedings. Claims filed after the deadline lack effect and are normally uncollectible.

3. Business Tax Collection Unit

This newly formed unit collects delinquent business taxes and registration fees. Required for effective collection is an extensive knowledge of the Business Tax System (BTS), the accounting behind the debt, and a thorough understanding of business tax ordinances.

- ❖ This unit was initially formed in January, 1996 to collect unpaid business tax registration fees. After six weeks, delinquent payroll and gross receipt taxes were added to its collection activity. A goal was set to collect \$750,000 by the end of fiscal year 95-96. **By June 1996, this unit had collected \$1,000,000.** This unit has been highly commended for its effective collection performance.
- ❖ Delinquent 1995 and 1st Qtr. 1996 prepayments and unpaid hotel tax statements of accounts have been added to the unit's accounts inventory. Once the 1995 business tax determinations become delinquent, the unit is prepared to approach this collection task with great vigor.

Types of Collection Services

Collection services that the Bureau provides, include but are not limited to, billing and debt resolution; tracing debtor whereabouts (skiptracing); employment verification; filing of creditor claims in probate, escrow and bankruptcy estates; filing liens in court cases and workers' compensation cases; and appearing in Small Claims court for City representation.

Installation of New Collection Software

During FY 95-96, BDR installed a new computerized collection system called CUBS -- (Columbia Ultimate Business Systems). CUBS is a vast improvement over the TAU0 system. Data changes made in one field automatically change other affected fields, thereby saving time and effort. Information is compiled for management reports; collector performance is automatically gauged; summaries of accounts are provided; and medical liens and acknowledgments are on-line, as well as TRW/CBI credit requests.

Training was given to all collectors and, as required, intermittent refresher courses have been conducted by a Collection Supervisor. All BDR collectors have now achieved competence in working with this new system. Because it is anticipated that overall BDR collections will increase as a result of this improved technology, collection quotas have been increased to begin with FY 96-97.

Another feature, recently installed, is the Autodialer. This software allows the collector to call the debtor by choosing and clicking a phone number from a list on the computer screen. With the assistance of a modem and headset, contact is made with the debtor without the need to actually pick up the phone until connection is made. If the phone line is busy, the collector can set the time for the system to call again, automatically. This software not only enables collectors to work the accounts more efficiently, it may reduce workers' compensation claims, in that the use of headsets is intended to help eliminate the development of neck and shoulder strain.

Finally, BDR acquired archiving software from CUBS for the purpose of purging present inventory of accounts with zero balances, abandonments, cases with no address, and other uncollectibles. Implementation of this software occurred early in FY 95-96. BDR intends to customize three CUBS programs:

- ◊ Download debtor information onto a diskette for Controller's ISD to prepare the notice series on all new accounts.
- ◊ Download direct payments made to SFGH, i.e., cancellations, onto a diskette and upload into CUBS thereby eliminating the receipt process.
- ◊ Automatic payment prioritization among different types of accounts. This customized program is contingent on the integration of all delinquent accounts. Although it can be implemented for BDR collections only, the cost of approximately \$5,000 would be justified further if other sections would benefit.

BDR is also looking into Figure 5 software which provides analysis in greater depth for management reports. A demonstration diskette is being evaluated. Again, it is anticipated that full utilization of the above-mentioned software would result in increased collections.

Changes to Receipt Processing

For each payment BDR receives, a receipt must be typed in quadruplicate containing information that allows Cashier to distribute the funds appropriately. Working with Cashier, BDR is changing this archaic, cumbersome receipt process to free collectors' time, yet still achieve the same intended result. BDR has proposed a stub design, to be attached to its notice series, that would enable Cashier to process payments through a scanner. It is planned that this change be effected early in FY 96-97.

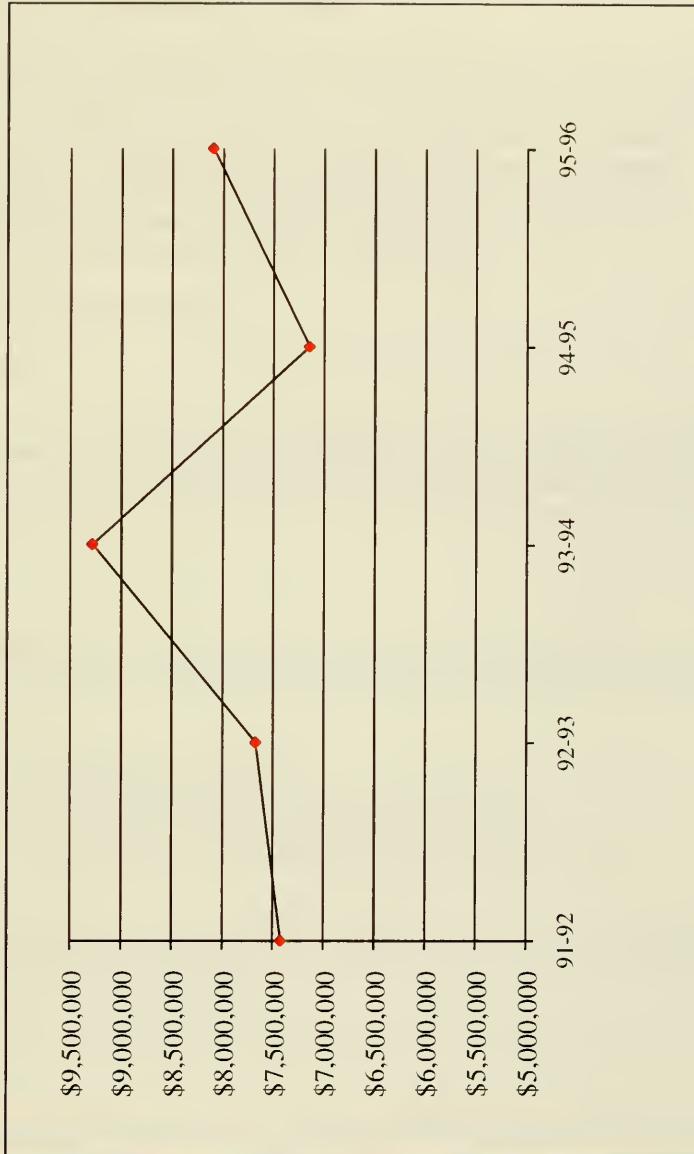
Implementation of Incentive Program

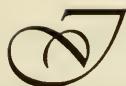
BDR has implemented an incentive program to reward top performance in this section. Once a month, the collector generating the highest revenue receives such recognition as an "Olympic Gold" trophy, inscribed "Top Collector", for display at his/her desk. BDR management has received positive feedback from this morale-building program.

Bureau of Delinquent Revenue -- Statistical Activity

COLLECTIONS	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96
Dept. of Public Health	\$2,718,081	\$2,820,868	2,785,974	2,519,757	2,257,406
Contractual Services	304,539	170,195	161,865	248,470	139,638
Payments Direct to Dept. of Public Health	3,051,542	3,374,226	3,413,633	1,356,354	2,439,910
All Other Departments	77,407	107,544	98,605	46,434	141,394
Escrow & Bankruptcy	1,272,482	1,199,975	2,820,334	2,946,901	2,358,491
Business Taxes			1,916,331		
TOTAL COLLECTIONS:	\$7,424,051	\$7,672,808	\$9,280,411	\$7,147,916	\$8,352,870
OTHER DELINQUENT ACCOUNT DATA	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96
Total No. of Outstanding Acct's (except outpatient)	9,971	7,204	6,296	6,551	8,568
Total No. of Outpatient Medical Acct's	101,268	83,584	78,850	102,449	168,377
Total No. of Cash Collections	14,843	12,846	12,197	13,098	13,812
Total No. of Direct Payments to Dept. of Public Health	4,733	3,583	3,078	1,516	2,659
Total No. of Transfers to Bur. of Delinquent Revenue	45,527	38,966	82,209	88,718	67,125
Total No. of Business Tax Accounts					700
Total No. of Accounts	176,342	146,183	182,630	212,332	261,241

Bureau of Delinquent Revenue





INVESTIGATIONS SECTION

A major function of the Investigation Section is to ensure that taxpayers comply with the State Revenue and Taxation (R&T) Code for the County and local tax ordinances of the City of San Francisco. The section operates in support of the Property Tax, Business Tax, and Legal sections and, secondarily, for the Bureau of Delinquent Revenue and Taxpayer Assistance/Licensing sections. Investigation of delinquencies tends to revolve around unsecured personal property (UPP) taxes of the Property Tax Section, and Business Payroll and Gross Receipts of the Business Tax Section.

This section is divided into three units:

Management Unit:

This unit is responsible for all fiscal matters; accounting and financial reports; clearance of assignments; and personnel issues for the Investigations section. It also handles Small Claims Actions, bounced check cases, Business Tax audits, and apartment/condo non-collection delinquencies. All large, problematic files are processed by senior personnel in this unit.

Field Unit:

The field investigators, who have the greatest personal contact with taxpayers, perform a variety of tasks in their efforts to resolve non-compliance issues. Their responsibilities are to:

- locate delinquent taxpayers
- exact payment from them for their delinquent taxes
- serve legal documents on behalf of the Legal Section
- assist Business Tax section in registering all business accounts

The three collection officers, hired in December of 1994, have performed the bulk of their work in the Bureau of Delinquent Revenue.

Clearance Unit:

The Clearance unit's main function is to check all business accounts for delinquencies. All delinquencies must be paid in full before a Business Certificate is issued.

Several major computer programs, which increasingly benefit the Investigations Section, have been implemented. The columns below list these program names and their benefits.

<u>Program</u>	<u>Benefits</u>
Business Tax System (BTS)	Accelerates searches for payroll and business accounts
TBAI	Automatically calculates and bills late payment penalties and partial payment interest on a monthly basis.
TBAX	Provides instantaneous information on all delinquent tax bills and posting of paid accounts to the taxpayers
ADBX	Provides ability to search for taxpayer by address, DBA, or name.
DEC	Provides access to Department of Motor Vehicle records for additional skip-tracing avenues to locate taxpayers.

The new computer programs have been very useful in helping to identify delinquent accounts from prior years. The unit has been empowered to take partial payments on delinquent accounts, which possibility provides taxpayers with an opportunity to make smaller and more frequent payments on delinquent tax bills.

First implemented for the Fiscal Year 94-95 billing of Unsecured Personal Property, we have, via computer, been able to identify accounts that have delinquent years. The words "Prior Delinquency", have been printed on computer-generated bills to indicate that other years remain outstanding. By alerting us to "Priors" early, Investigations has been able to reduce the count on old delinquent bills substantially. An examination of the activity of the last 5 years reveals that Investigations has been able to reduce the average number of delinquent accounts to 3% or less.

Delinquent accounts are carried for 30 years, at which time they are deemed uncollectible and are abandoned. This year, only 69 accounts remained to be declared abandoned from calendar 1965.

The total amount collected this year is lower than FY 94-95 due to an internal accounting change. It was felt, at the end of last year, that the number of abandonments may have plateaued. The reason is two fold: (1) many of the outstanding delinquencies from prior years are being closed; and (2) many taxpayers have begun to realize that the Tax Collector is aggressively pursuing delinquent accounts, making it to their advantage to pay on time rather than to incur additional penalties and interest.

The Investigations section will continue to work on reducing the number of open accounts and minimizing the delinquent tax ratio. The unit's ultimate goal is to reduce delinquencies to 1% or less within the next two to three years.

Present plans are to fold the Investigations operations into the Bureau of Delinquent Revenue next year in order to restructure and streamline the compliance and collections aspects performed by these two sections.

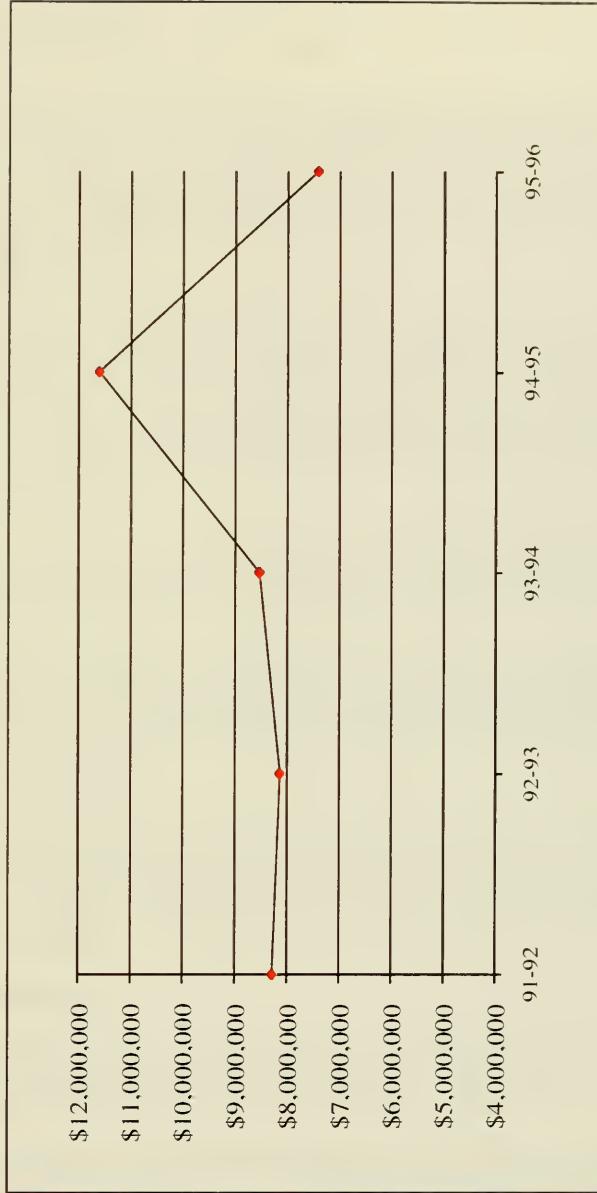
Investigation Section -- Statistical Activity

	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96
COLLECTION ACTIVITY					
Collections Made	\$7,373,386	\$5,819,312	\$6,465,982	9,621,479	5,375,742
Clearance Unit Collection	\$904,677	\$997,871	2,067,475	1,981,678	2,043,013
Tax Default Sale	--	\$1,315,694	--	--	--
TOTAL	\$8,278,063	\$8,132,877	\$8,533,457	\$11,603,157	\$7,418,755
Calls Made	14,390	14,983	18,123	23,083	22,315
Average Collections per call	\$575	\$455	357	503	333
CASES FILED & INSTITUTED					
Small Claims Court	71	70	106	52	4
Municipal/Superior Court	20	1	0	0	0
TOTAL ACCOUNTS SUBMITTED	91	71	106	52	4
INVENTORY OF ACCOUNTS					
Accounts open at Start of Year	67,051	*89,942	92,774	96,636	99,088
Accounts Received During Year	23,365	7,469	14,022	8,134	7,197
Subtotal	90,616	97,411	106,796	104,770	106,285
Accounts Closed During the Year	-12,285	-4,637	10,160	5,682	5,709
Accounts Open at End of Year	*82,331	92,774	96,636	96,088	100,576
CLEARANCE UNIT INVENTORY					
OF ACCOUNTS					
Open at Start of Year	8,873	14,141	13,633	8,345	19,132
Accounts Received	6,815	42,327	49,858	67,703	65,941
Subtotal	73,688	56,468	63,491	76,048	85,073
Minus: Accounts Cleared	-59,547	-42,835	55,146	56,916	67,375
Accounts Open at End of Year	14,141	13,633	8,345	19,132	17,698
OTHER ACTIVITY					
Certificates of Lien on File	4,122	7,630	7,831	** 4,909	** 4,819
Abandonment Recommendations	686	981	424	*** 404	**** 69

* Accountant found error in FY 90-91 Balances adjusted
 ** 811 accts are in refining of 1984 activity
 *** 305 accounts are under \$10.00 99 accounts are 1984
 **** 899 accounts are refining of 1985.

***** Abandon 69 ACCH 1985.

Investigations Unit



LEGAL SECTION

The primary mandate of the Legal Section is to collect delinquent accounts under the Tax Collector's jurisdiction when all other collection efforts have failed. In addition, Legal Section makes the appropriate response when a Tax Collector's lien is the subject of collateral litigation such as a bankruptcy case or a judicial foreclosure action. Legal Section also gives legal advice to the Tax Collector and his section supervisors on collection related activities.

Most delinquent accounts referred to Legal Section are tax deficiency assessments from the Business Tax Section. These delinquent taxes often involve closely-held corporations or limited partnerships. This kind of case requires a thorough analysis of the legal interrelationships between the business entities and the individuals who own or control the fiscal affairs of the business before a successful collection strategy can be developed. A working knowledge of bankruptcy law and procedure is an essential element to successful collection strategy.

The remainder of Legal Section's case load comes from the Bureau of Delinquent Revenue (BDR) in the form of claims for hospitalization services rendered at San Francisco General Hospital and Laguna Honda Hospital.

An important part of Legal Section's representation of BDR involves resolution of disputes with attorneys over medical reimbursement liens filed by BDR. These occur primarily in hospital patients' lawsuits against third parties who allegedly caused the patients' injuries. Legal Section also handles liens in workers compensation proceedings instituted by hospital patients.

Although civil collection suits are a major means of enforcing payment of delinquent accounts, Legal Section uses other civil creditor procedures when appropriate. These include creditor claims in bankruptcy estates, decedent estates and conservatorship estates; and a variety of liens, including tax liens, and voluntary payment agreements negotiated with the debtor.

Performance Objectives

As a separate operating section, Legal Section has its own performance objectives which include: collecting \$2 million dollars or more of delinquent revenue annually; filing 60 collection suits, and obtaining 28 judgments during the same period.

Legal Section exceeded its monetary collection objective in FY 95-96 by collecting \$2,116,816.75. However, the number of complaints filed and judgments obtained did not meet the proposed objectives. This was in part because substantial professional and support staff time was devoted to litigating contested cases already pending in Legal Section's inventory, and also because an increasing number of accounts referred to Legal Section from Business Tax Section are being resolved through periodic payment plans.

Litigation Activities

In December, 1995, the Supreme Court of California unanimously held that liens for county hospital services must be paid in full out of patients' recoveries from third parties, if sufficient funds are available; and that such liens are not subject to reduction in proportion to attorney fees incurred by patients in obtaining such recoveries. This finding stemmed from a case arising over a BDR lien and prosecuted by Legal Section attorneys. Legal Section's aggressive action in obtaining Supreme Court review prompted the California County Counsel Association and several counties that maintain emergency trauma centers (as well as one private facility) to file *amicus curiae* briefs in support of the City's position. The statewide precedent established in this case should increase collections from BDR liens.

Following the Supreme Court decision in that case, Legal Section obtained payment of over \$72,000 in another case where the patient's attorney appealed payment of the BDR lien to the California Court of Appeal.



Last fiscal year Legal Section attorneys successfully represented BDR in a case tried to a jury to enforce payment of a creditor claim in a decedent's estate for skilled nursing care costs rendered to the deceased at Laguna Honda Hospital. After the jury returned a verdict in favor of the City, defendant appealed the decision. Legal Section spent considerable time and effort this fiscal year researching the multiplicity of issues raised by the defendant's appeal and preparing appellate briefs.

Outside of routine duties and responsibilities of the section, these three appellate cases, plus another three bitterly contested trial court cases, counted for the majority of Legal Section's litigation effort during this time.

Additionally, Legal Section has been required to litigate an increasing number of cases where an action for judicial foreclosure or some other action involving title to real property has been filed and the City has been named as a defendant because it has a lien for secured real property taxes. In those cases, Legal Section determines the nature, amount and priority of City liens and prepares an appropriate response to the complaint.

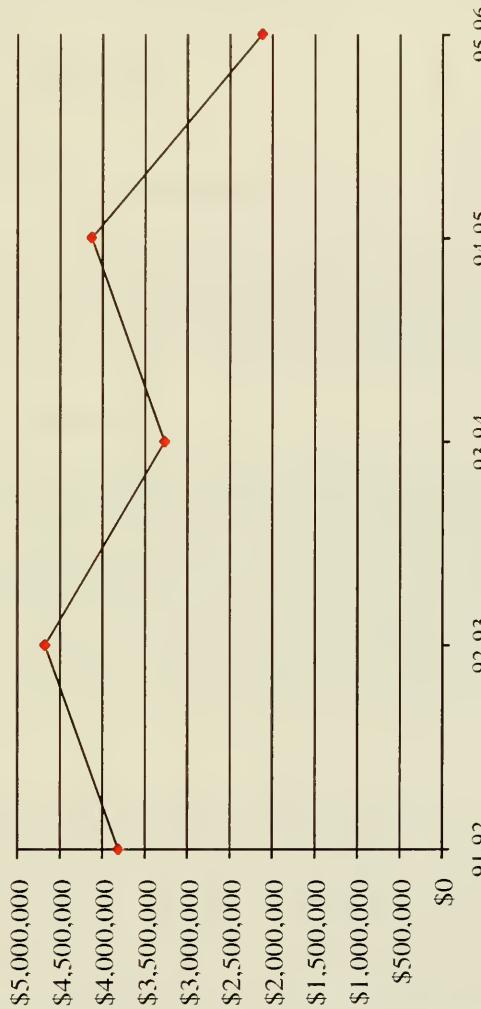
Legal Section -- Statistical Activity

TYPE OF ACTIVITY	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96
Complaints Filed	28	17	15	9	0
Abstracts Recorded *	18	16	14	7	3
TOTAL DOLLAR RECOVERY **	\$3,810,778	\$4,675,097	\$3,266,499	\$4,128,117	\$2,116,817

* Includes all cases where judgment was entered, regardless of whether an abstract of judgment was recorded.

** From all sources including but not limited to Abstracts of judgments and filed Complaints.

Legal Section



LICENSING SECTION

Licensing Section collects fees for nearly 150 different types of licenses and permits under five regulatory departments. These departments are:

- Department of Public Works
- Department of Public Health
- Fire Department
- Police Department
- Department of Animal Care and Control.

Issuance of new and replacement identification cards, badges and vehicle plates for approximately 4,800 drivers of public passenger vehicles under the Police Department is included as an important part of the section's collection responsibilities. The authority for enforcement and collection of these fees is the San Francisco Municipal Code, Part III.

Rent Stabilization and Arbitration Fee

Licensing Section continued this fiscal year to administer Chapter 37A of the Administrative Code. This chapter created a Rent Stabilization and Arbitration Fee in 1989. The fee is \$ 10.00 each for approximately 210,000 residential units in San Francisco. Although collection of this amount is a major responsibility, the public is now more conscious of this fee and the collection process is more routine than in previous years. Since its inception, collections have consistently surpassed the projected estimate of \$1.3 million. Effective in October, 1995, the fee was attached to the Property Tax Roll as a special assessment for a more cost effective collection. This function will be transferred to the Property Tax section and will continue into the foreseeable future.

Business Licenses

The actual revenue for regulatory licenses and permits and Department of Public Works (DPW) surcharge is \$ 8,284,881 for FY 95-96. In most priority areas, with the exception of Police Department licenses, FY 95-96 collections increased by a total of \$ 218,760 over the previous year. This increase is attributed to the Investigation Section's successful efforts in collecting nearly \$100,000 in Delinquent Apartment Licenses. This is the third year of surcharge collection for apartment houses and hotel licenses. The purpose of the surcharge is to recover the cost of acquiring office space at 1660 Mission Street for the Bureau of Building Inspection and the Department of City Planning. The surcharge ceases on June 30, 2005. Thus far, surcharge collections are above the projected level of expectation by 47%.

Delinquent Fees Penalty

New businesses that do not respond to the initial statement of fees due are now assessed a penalty. After 90 days, a delinquency report is forwarded to the regulatory departments for collection. This policy is successful, because more owners are paying the initial fees before the accounts fall delinquent. Of 15,000 new accounts, approximately 3% are delinquent.

Dog Licenses

The Tax Collection Division's Dog license project has been migrated from a manual system to an on-line system. The system interconnects with the Department of Animal Care and Control and has the capability of providing around the clock information. San Francisco is the first city to adopt this program. East Bay, North and South Bay counties will network with this system in the near future.

At the end of FY 94-95, information on dogs and their owners became available on-line to program users at the animal shelter.

Modems have been installed connecting the animal shelter and the Tax Collector's Office. This enables Tax Collection staff to input and retrieve information directly from the animal shelter's data base. The second phase of automation is to generate receipts for payments of licenses and renewal statements on-line. The responses of dog owners to the revised dog license ordinance have thus far been positive. Owners are very receptive to the year-round flexibility in renewing licenses and the option of purchasing multiple-year licenses.

In response to budget constraints, members of the license staff are cross-trained in a broader range of collections and internal operations activities. Eighty percent of the staff are proficient in almost all licensing functions. The Licensing section is committed to providing taxpayers with quality service by responding to inquiries within eight hours, providing accurate information, and attempting in every way to reflect the goodwill of the Department.



Goals and Objectives:

In the final quarter, plans began in earnest for a Taxpayer Assistance Unit. The goal of the unit is to provide centralized assistance to taxpayers and to address their needs without causing them to go from section to section within the department.

The unit will be composed of highly motivated employees committed to providing quality services and who are knowledgeable in major areas of collections. Cross-training from a pool of possible candidates was completed during this period. Candidates were evaluated and selected for the next phase of training.

The unit will continue to focus on networking with other sections to provide accurate information to taxpayers more readily. An effort to develop and acquire greater expertise in hands-on application of the various programs' computer systems will continue during the next fiscal year.

License Section -- Statistical Activity

TYPE OF COLLECTION	FY 91-92			FY 92-93			FY 93-94			FY 94-95			FY 95-96		
	Amount Processed	Items Processed													
Public Works *	\$2,918,478	19,400	\$3,116,810	19,037	\$3,102,753	19,234	\$3,126,366	19,412	\$3,143,228	19,511					
Police **	\$533,528	8,403	\$696,076	9,384	775,306	8,844	780,808	8,992	753,011	8,911					
Public Health ***	\$3,274,754	8,185	\$3,370,537	7,324	3,579,151	8,174	3,576,671	8,238	3,737,257	8,364					
Parking Permits	\$194,654	18,667	--	--	--	--	--	--	--	--	--	--	--		
Fire Department Licenses	\$410,073	2,146	\$416,270	2,146	414,838	2,131	450,908	2,392	469,691	2,513					
Dog Licenses	\$36,058	6,230	\$56,700	7,065	71,383	7,154	41,726	3,841	46,747	4,141					
Subtotal	7,367,545		7,656,393		7,943,441		45,537		7,976,479		42,875		8,149,934		43,440
Rent Stabilization and Arbitration****	\$1,386,360	44,687	\$1,325,704	40,174	1,612,320	38,761	1,626,472	45,329							
Dept. Public Works Surcharge															
TOTALS	\$8,753,905	107,718	\$8,982,097	85,130	9,645,557	84,298	9,692,623	88,204	8,538,513	43,440					

* Public Works includes the category formerly designated as "Apartment & Hotel."

** Police includes categories formerly designated "Vehicles" and "Miscellaneous".

*** Public Health includes categories formerly designated as "Miscellaneous Health",

"Food Prod. & Marketing" and "Food Prep. & Service."

**** Function transferred to Property Tax Section. Revenue shown collected under old system.

License Section



∞ Acknowledgments ∞

Grateful thanks and appreciation go to the following individuals, including section managers, who have contributed time, information and effort to the preparation of this report:

Tax Collector	Richard A. Sullivan
Chief Assistant Treasurer	Minda Ballete
Deputy Tax Administrator	Willie H. Ross
Chief Investment Officer	Daniel P. Daly
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Investigations Section	Andrew Bacigalupi
Legal Section	Robert Fletcher
Administration Section	Gail D. Hemenway
Taxpayer Assistance/Licensing Section	Anita Jin
Cashier Section	Sonia Martinez
Property Tax Section	Francis Nguyen
Bureau of Delinquent Revenue	Florence Mar
Business Tax Section	Patrick Sha
Editor	Gail D. Hemenway
Typist	Sarah Cook

Mary I. Callanan,
Treasurer

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Annual Report FY 96-97



**San Francisco
Treasurer/Tax Collector**

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Annual Report of the Treasurer-Tax Collector Department City and County of San Francisco

As of June 30, 1997 for FY 96-97

SYNOPSIS

The Office of Treasurer of San Francisco is an elective office that has been in existence since 1850. For a few years, from 1850 to 1856, there were two Treasurers -- one for the City and one for the County, because San Francisco County also embraced nearly all of present-day San Mateo County. Following the Consolidation Act of 1856, San Francisco became a combined City and County -- the only combined City and County in the State of California. In July of 1979, a Charter amendment added the office and duties of Tax Collector to the Treasurer's responsibilities.

The Treasurer is the banker and investment officer for the citizens of San Francisco and manages the investment functions and day-to-day operations of the City's cash management program. She is responsible for an overall portfolio currently well in excess of \$ 2.5 billion. The Treasurer's basic management objectives for managing this portfolio are, in order of priority:

Basic Management Objectives

- ❖ Preservation of capital
- ❖ Availability of funds (liquidity)
- ❖ Yield (favorable return on investment without undue compromise of the first two objectives)

The Treasurer is guided in investment choices by the California State Government Code which allows a wide range of investment alternatives, such as:

- ❖ Time Deposits in banks and savings and loan associations
- ❖ Negotiable Certificates of Deposits
- ❖ Treasury Bills, Notes, and Bonds
- ❖ Federal Agencies issues
- ❖ Bankers Acceptances and Commercial Paper

Real estate and common stock are strictly excluded from allowable investments.

The following report covers the fiscal year ended June 30, 1997, and contains comparative statistics and information for the past five years of investment activities and tax collection revenues.

Each month the Treasurer submits a report on investments to the Mayor, the Board of Supervisors and the Controller. This report lists the entire portfolio with a comparison of cost to current market value, investment activities and return on investments. Present return on investment is among the highest in the State and the portfolio reflects the highest quality of investment alternatives. The Treasurer's staff takes pride in the fact that, over the past five years, the Treasurer's investment program has earned \$ 616 million with full liquidity and safety of all funds. This has been accomplished by strict adherence to the Treasurer's investment policy and by avoiding risky investments such as derivatives.

The portfolio includes the proceeds of numerous General Obligation and Revenue Bond issues. The Treasurer assisted in the sale of \$ 89,230,000 General Obligation Bonds and \$60,000,000 of Tax and Revenue Anticipation Notes (TRANS). Earnings and expenditures on all bond issues must be closely monitored due to arbitrage regulations contained in the 1986 Federal Tax Reform Act and its subsequent amendments.

In managing the cash flow of the City and County the Treasurer works closely with all departments to ensure that all funds due are received and deposited as quickly as possible. In order to accomplish this the Treasurer has negotiated contracts with various banks for such items as lockbox and credit card services. The Treasurer's office disburses cash for approximately 1.9 million checks issued by the Controller, amounting to over \$ 4.6 billion each year. It should be noted that the Treasurer's office does not issue checks, nor have any control over the budget approvals or expenditures. Care is taken to insure that cash is available to

...over the past five years, the Treasurer's investment program has earned \$616 million with full liquidity and safety of all funds.

honor checks issued to cover approved expenditures. In addition, the Treasurer's Office receives, verifies and pays all matured general obligation bonds and coupons. This amounted to \$ 6.9 million in 1996-97, as well as book entry bond redemption and interest which was wired to the Depository Trust Company in the amount of \$ 78.4 million.



The tax collection responsibility of the Treasurer includes the collection of Property Taxes, numerous Licenses and Permits, Business Taxes, Investigations, and Delinquent Accounts due to other City departments. Annual revenue collections have increased from \$ 1.0 billion to almost \$ 1.3 billion over the past five years. Substantial detail concerning the City's tax collection activities is provided in the body of this report.

In summary, the Treasurer collects, protects and maximizes returns on all funds belonging to the citizens of the City and County of San Francisco.

HIGHLIGHTS OF FY 1996-97

- ✖ A Treasury Oversight Committee was established as an advisory body to the Treasurer. The committee has five members nominated by the Treasurer and confirmed by the Board of Supervisors. The Treasurer's FY 97-98 Investment Policy was reviewed and approved by the Committee at its first meeting, held in June 1997.
- ✖ Richard A. Sullivan, Tax Collector, continued an all-out campaign to restructure the Tax Collector's office in order to do more with less. He continued to encourage the Total Quality Management (TQM) program to address such issues as centralization of accounting services, and improvement of check control and reconciliation procedures.
- ✖ A new Taxpayer Assistance unit came into being as the product of a previous task force. During the first year of operation, Taxpayer Assistance Officers assisted 16,200 taxpayers who visited the office. A phone bank initiated in the second quarter responded to over 33,000 phone calls for assistance by the end of June. A team of eleven individuals staffed the information windows and the phone bank, rotating their duties throughout the day.
- ✖ The Business Tax/Payroll Tax Penalty Amnesty Program, begun in FY 95-96, wound up operations. An immense success, it generated a total of approximately \$5 million in Business Tax registration fees and taxes.
- ✖ Significant progress was made toward improved efficiency and productivity through full office automation. Further enhancement of a Local Area Network (LAN) for the Treasurer/Tax Collector Department was completed. All staff have been trained in Microsoft Windows, Word, and Excel. Specific training in certain specialized programs such as the Business Tax system was also effected.
- ✖ Significant progress was made toward the acceptance of credit cards for the payment of taxes. Property Tax was the first to come on-line. By March 1997, Property Tax payments for the April 10 deadline could be made with either of two different credit cards.



- ❖ For the first time, taxpayers with a tax liability of \$100,000 or more were required to make payment by wire transfer or by Automated Clearing House (ACH). Present plans are to expand this requirement, next fiscal year, to all taxpayers owing more than \$50,000.
- ❖ This was the first full year of revised activities since the Treasurer's Office completed major restructuring of banking services, including:
 - a) conversion of the City's bank accounts from a special banking draft (warrant) account system to a less costly and more efficient commercial banking checking account system;
 - b) conversion from a bank tape system to a more efficient automatic electronic data transmission system of deposits and check payments;
 - c) implementation of a check truncation system, and
 - d) cessation of all check cashing activities. Bank of America has taken over this function for welfare payments and city payroll checks at no cost to the payee.

ORGANIZATION AND BUDGET

In brief, the organization appears as follows:

TREASURER

Treasury

Chief Assistant Treasurer

- ❖ Treasury Division
- ❖ Treasurer's Cashier

Chief Investment Officer

- ❖ Investments
- ❖ Cash Management
- ❖ Bond & Coupon Redemption

Tax Collector

Deputy Tax Administrator

- ❖ Administration
- ❖ Tax Collector's Cashier
- ❖ Accounting
- ❖ Business Tax
- ❖ Property Tax
- ❖ Taxpayer Assistance/Licensing
- ❖ Legal
- ❖ Delinquent Revenue/ Investigations

Total budgeted expenditures for the Treasurer/Tax Collector Department for FY 1996-97, by section, were as follows:

<u>Program</u>	<u>FY 1996-97</u>	<u>Total</u>	
	<u>Bud. Expend.</u>	<u>Staff</u>	<u>Revenue Sources</u>
Administration	\$ 1,379,506	17	Interest Revenues & General Fund
Treasury	1,107,822	17	Interest and Miscellaneous Revenues
Investment	276,413	6	Interest Revenues & Work Order Funds
Business Tax	3,901,347	43	General Fund
Property Tax	1,738,808	16	General & Non General Fund Revenues
Taxpayer Assistance/Licensing	755,777	11	General & Non General Fund Revenues
Legal Services	475,278	6	General Fund
Delinquent Revenue /Investigations	<u>2,659,837</u>	<u>43</u>	General Fund and Work Order Funds
Total for FY 96/97	<u><u>\$ 12,294,788</u></u>	<u><u>159</u></u>	

The Administration Section provides centralized support services to the programs and activities of the Treasurer/Tax Collector's Office. Goals and achievements of the various sections are detailed in the following pages of this report.



Mary I. Callanan, San Francisco Treasurer

Mary I. Callanan, Treasurer of the City and County of San Francisco, is a native San Franciscan. She holds a Bachelor of Science degree in accounting and a Master's degree in Business Administration from the University of San Francisco.



She joined the City in 1964, following several years with the Internal Revenue Service and in private industry.

She has held increasingly responsible positions with the Real Estate Department, Controller's Office, District Attorney's Office, and the Airport Commission where she served as Chief Accountant from 1975 to 1980. She was appointed Treasurer by Mayor Dianne Feinstein in August 1980, and has subsequently been elected to full terms in 1981, 1985, 1989, and 1993.

By Charter, the Treasurer is responsible for the collection of taxes, the receipt of all monies collected by the City and County and for their safeguard, deposit and investment in accordance with sound fiscal practices. She is also responsible for

collection of delinquent revenue. The Treasurer appoints a Tax Collector and a Chief Assistant Treasurer, both of whom serve at the pleasure of the Treasurer.

After thirty-three years of service to her beloved city, Mary Callanan has said that it is time to smell the roses. She has chosen not to run for re-election in November, 1997. During her term of office, she has increased the city portfolio from \$600,000 to over \$2,700,000,000. It is estimated that under her stewardship, the city's interest earnings have averaged \$200 per minute, twenty-four hours a day, day in and day out for over seventeen years. Well done!

Richard A. Sullivan, San Francisco Tax Collector

Richard A. Sullivan, who has lived in California for over 50 years, was appointed Tax Collector by Treasurer Mary I. Callanan in 1994. Prior to that, he was the Deputy Tax Administrator for 19 years and has held numerous accounting and auditing positions with the City and County of San Francisco.

He started his 39-year career in City service in the Controller's Office in 1958 as a Junior Clerk. He holds a B.A. in Accounting from San Francisco State University and a masters in Public Administration from Golden Gate University.

The Tax Collection Division receives and deposits all monies for taxes, licenses, and other fees due the City and County of San Francisco. It also performs the collection of delinquent accounts for other city departments.

Mr. Sullivan continues a vigorous campaign to restructure the Tax Collection Division in order to do more with less and to establish a more "user friendly" atmosphere for San Francisco's taxpayers.

His favorite saying is a quotation from Plato:

"Nothing endures but change."

Over the past three years, Mr. Sullivan has introduced a host of positive changes in order to produce the desired result of "doing more with less."



Treasury Division





TREASURY DIVISION

The Treasury Division's main responsibility is to account for receipt of all funds deposited by City Departments, redeem Controller's checks and disburse funds for other legal obligations.

The Treasury Division also accepts various assets such as securities, deposits, bail bonds and miscellaneous assets from departments and holds them in a special custody safe. Computer software has been developed and customized to record all necessary information on these items. Additionally, regular written contact is maintained with the various involved departments concerning current activity and status of the assets.

The Controller's Internal Audits Section routinely examines the activities of the Treasurer's office including quarterly verification of cash on hand. In addition, an outside major accounting firm audits Treasury Division's activities in connection with the publication of the Controller's Annual Financial Statements.

The Treasurer works with the Controller, Legal Counsel, financial advisors and other departments in connection with the issuance of various bond issues. During FY 95-96, \$ 89,230,000 in taxable general obligation bonds was issued as follows:

General Obligation Bonds:

\$7,645,000	Public Safety Improvement Projects (1989)	Series 1996 B
\$14,285,000	Fire Department Facilities Projects (1992)	Series 1996 C
\$42,300,000	School District Facilities Improvement (1994)	Series 1996 D
\$25,000,000	Asian Art Museum Relocation Project	Series 1996 E

These bonds were fully registered in the name of Cede & Co. as nominee of the Depository Trust Company and, therefore, available to the ultimate purchasers only under the book entry system.

Tax and Revenue Anticipation Notes (TRANS) were issued in Fiscal Year 1996-97 in the amount of \$ 60,000,000 compared to the TRANS of \$100,000,000 issued in FY 1995-96.

Additional responsibilities include monitoring absent heir deposits and payments pursuant to State Probate Code 11850; processing and reconciling street improvement deposits and payments authorized under the 1934 Street Improvement Ordinance; and performing Trustee duties in connection with deferred payment settlement trust funds resulting from large claims against the City.

Treasurer's Cashier Section

Responsibilities of this section include:

- ❖ Receipt of all City and County monies and checks, either through direct bank deposits, electronic funds transfers, lockbox operations, credit card collections, or Treasurer's receiving window
- ❖ Payment of all Controller checks through the Department's Clearing House Bank
- ❖ Reconciliation of the above receipts and disbursements with total cash, on a daily basis
- ❖ Daily and monthly reconciliation of Treasurer's checking accounts
- ❖ Daily input and detailed reconciliation to FAMIS (Financial Accounting and Management Information System) reports

All checks received through the Treasurer's Receiving window are encoded and microfilmed before they are deposited in the bank. Internal control is achieved by division of duties between receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks, and the accountants.

The primary objective of the Cashier Section is to process and account for the receipt of collections, departmental deposits, and disbursements made through the Cashier, by the close of the same business day. The Cashier Section accomplished this objective during the fiscal year.

In 1996-97, approximately 1,836,000 checks were processed - a decrease of 8.1% from last year, which was due primarily to the conversion of the City's payroll system to direct deposits. Total disbursement dollars, however, increased by 3.0 %.

Total receipts amounted to \$ 4.8 billion while disbursements totaled \$ 4.6 billion resulting in a June 30, 1997 cash and equity balance of \$ 2,598,587,555.

In an effort to revise and streamline the collections, deposits, and check reconciliation processes so that these can be more effective and efficient, extensive efforts and resources have been invested in automation. Consequently, several milestone events occurred in the recent history of the Cashier Section and they are listed and described below:

Milestone Events:

<u>Date</u>	<u>Event</u>	<u>Benefit/Impact</u>
1994	Beginning of Local Area Network (LAN) migration.	Replace old stand-alone models (286's and 386's) to 486 PC's in the Cashier area to allow partial conversion to Local Area Network (LAN) system.
January 1995	Discontinuance of check cashing activities at the Treasury windows	Bank took over check cashing activities without additional cost to the City or charges to City employees and other clients.
February 1995	Relocation of offices to 875 Stevenson Street as part of seismic upgrade and retrofitting of City Hall	Successfully moved numerous computers, equipment, records, cash and securities during peak collection period without any disruption of services to the public.
June 1995	Major restructuring of banking services to improve the efficiency and effectiveness of operations as well as reduce costs	<ul style="list-style-type: none"> ✖ Conversion from a special banking draft account system to a less costly and more efficient commercial banking checking account system. ✖ Conversion from a bank tape system to a more efficient automatic electronic data transmission of deposits and check payments. ✖ Implementation of a check truncation system, which eliminated the need for costly monitoring, storage, and maintenance of check files.



These changes resulted in cost savings and additional interest earnings of approximately \$400,000 per year.

Milestone Events (Cont'd)

<u>Date</u>	<u>Event</u>	<u>Benefit/Impact</u>
July 1995	Implementation of the on-line FAMIS for Cash and Treasury Management	Controller's Office converted system of recording transactions from batch FAMIS to on-line FAMIS citywide. Installation of additional PC's for connection to Controller's Main Frame computer to allow the Treasurer to access the City's Cash and Equity records and properly post cash and investment transactions.
August 1995	Direct Deposit System Option for Employees' Net Pay	Established a new, expanded direct deposit option for employees' payroll.



Investment Section

The goal of the Investment Section is to administer and control the investment of all monies in the Treasurer's custody that are not required for payment of current obligations. Its purpose is to maximize interest income while preserving the liquidity and safety of the principal. Its objective is to maintain all surplus funds in investments that can be easily monitored and liquidated.

The Investment Section has consistently demonstrated prudent portfolio management with excellent results. The portfolio performance for FY 96 97 is listed below:

<u>Portfolio Performance:</u>	<u>Pooled Funds</u>	<u>All Funds</u>
Total interest received	\$78,317,76	\$151,260,637
Total net earnings	\$71,745,315	\$149,223,354
Average daily portfolio balance	\$1,163,403,612	\$2,554,088,399
<u>Earned Interest Yield</u>	6.167 %	5.843 %
Book Value	\$1,062,253,427	\$2,549,369,519
MARKET VALUE (as of 6/30/97) *	\$1,072,163,823	\$2,578,116,610
		*plus accrued interest of \$15,486,033

Comparison Yields

	<u>FY 96-97</u>
Average 90 day treasury bills	5.200 %
City of Los Angeles (Pooled)	5.900 %
Los Angeles County (Pooled)	5.658 %
State Local Agency Fund (Pooled)	5.592 %

Many of the Bond Funds managed by the Investment Section are subject to the Tax Reform Act of 1986 which strictly limits arbitrage profits that can be enjoyed by the City and County of San Francisco.

Financial Service Subscriptions:

The Investment Section subscribes to the following computerized financial services:

- ❖ Moneymax
- ❖ Telerate Matrix System
- ❖ Dow Jones Capital Markets
- ❖ Technical Data
- ❖ Money Market Observer
- ❖ Ramirez Capital
- ❖ Thompson Financial
- ❖ Various institutional data banks
- ❖ Bloomberg Systems
- ❖ Lehman Brothers
- ❖ R.H. Wrightson
- ❖ Technical Dimension

In addition, direct wire lines are maintained by investment houses (primary government dealers) which enable the Chief Investment Officer to maximize interest income and earned interest yield, through rapid competitive bidding, as reflected in the schedule of Portfolio Statistics. The utilization of personal computers (PC's) along with appropriate modems allows the investment staff to retrieve daily bank balances and supporting reports. Further, the PC's enable more sophisticated trend analyses, which assist in future investment decisions. The Telerate Matrix and Bloomberg System provide instantaneous live electronic monitoring of the domestic fixed income markets.

The implementation of direct bank deposits during the early 1970's, whereby departments deposit their receipts directly to local branches of Bank of America, the City and County's

concentration bank, continues to accelerate cash flow into the Treasury. Lockbox procedures are in effect for processing invoices and receipts for Department of Parking and Traffic citations, Airport, Port, and General Hospital. In FY 96-97, at the request of the San Francisco Port Commission, the Treasury Division took over from Wells Fargo Bank the processing of the Port's lockbox receipts.



Tax collection receipts, and other city department receipts, are received for processing through the NCR Remittance Processing System for direct bank remittance. These procedures provide early deposit of receipts plus reduced bank charges.

The Investment Staff continues to monitor and invest all funds that flow through the remittance processing system by electronic access. All funds are transferred by Fed-wire to the concentration accounts for Controller disbursement or Treasurer investment.

Besides the aforementioned procedures, credit cards are accepted for payment of property taxes, traffic fines, towing and storage fees, misdemeanor bails, library fees, and Bureau of Vital Statistics fees. This process has resulted in the reduction of bad checks, acceleration of payments and immediate availability of funds for investment.



Cash Managers:

Prior to FY 95-96, only one Cash Manager assisted the Chief Investment Officer in administering and controlling investment of all City and County monies in the Treasurer's custody, including Airport funds, that are not required for payment of current obligations.

In October 1995, a new Assistant Investment Officer and Cash Manager position was established, primarily to assist in establishing and maintaining a separate investment unit for the San Francisco Airport's pooled and non-pooled investments. The Cash Managers assist the Chief Investment Officer in administering the cash management and investment policies as they relate to Airport funds. This involves the initiation, analysis, and modification of cash flow systems so that the Chief Investment Officer can develop procedures for the Airport in order to maximize investment opportunities and earnings. In addition, they advise and make recommendations to Airport personnel regarding cash management procedures and policies, bank relationships, wires, and bond interest and redemption and the bond arbitrage rebate program.

The Cash Managers' primary responsibilities include:

- * Ensuring compliance with regulations requiring that all revenues received by City departments are deposited and receipted by the next business day.
- * Analyzing cash flow throughout the City and developing a cash flow system.

- ❖ Initiating and modifying cash flow procedures.
- ❖ Establishing and maintaining banking relationships.
- ❖ Advising and making recommendations to City and County department personnel regarding cash management procedures and policies.
- ❖ Assisting the Chief Investment Officer in administering cash management and investment policies.
- ❖ Managing the bond and coupon redemption program.
- ❖ Co-administering the bond arbitrage rebate program with the Controller to ensure accurate records are maintained, proper procedures are followed, and timely payments are made to the Federal Government.

Extended application of these procedures to other programs is an ongoing process and continues to increase revenues and provide improved taxpayer assistance while containing costs.

In FY 96-97, the Cash Managers continued to perform the function of redeeming general obligation bonds and coupons and registered bonds and bond interest.

Significant events described below, led to the reorganization of the bond and coupon section, which received, verified, and paid all matured bonds and coupons (bond interest) either locally or through the Depository Trust Company.

<u>Date</u>	<u>Event</u>
March 19, 1991	Fiscal agent Citibank in New York resigned as co-paying agent. The City and County of San Francisco Treasurer Bond & Coupon Section became the sole paying agent for the redemption of all bearer bonds and coupons maturities until April 1, 1992.
April 1, 1992	Bank of America's Corporate Trust Department became the paying, transfer, and registration agent for all general obligation bearer bonds issued prior to 1986.
April 1, 1992	Bond and Coupon Supervisor retired from City service, leaving the position vacant for the entire FY 92-93.
July 1, 1992	Bond and Coupon Section was eliminated and the function assigned to the Investments Section.
October 1, 1995	First Trust of California purchased Bank of America's Corporate Trust Department and assumed the responsibilities as the paying, transfer and registration agent for all general obligation bearer bonds issued prior to 1986.

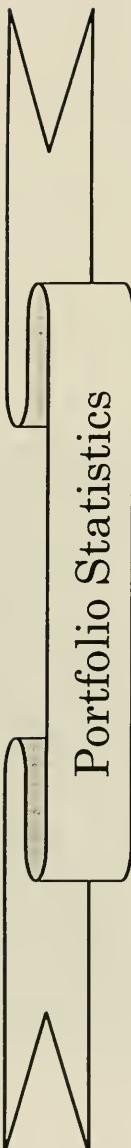
Through perseverance and dedication to quality control, the Cash Managers, with the assistance of the paying and transfer agents, achieved all the objectives of the section.

During FY 96-97, bonds and coupons amounting to \$ 6,917,140 were redeemed. All matured bonds and coupons presented for redemption by person or mail were promptly and satisfactorily paid. In FY 96-97, there were 10 transactions involving new registrations and re-registrations of general obligation bonds. Book entry bond redemption and interest payments amounting to \$ 78,402,998 were wired to the Depository Trust Company.

All financial institutions are advised of all City Ordinances which place restrictions on city contracts as provided in Administrative Code Chapters such as:

- 12 B Nondiscrimination in Contracts
- 12 F Implementing the MacBride Principles in Northern Ireland
- 12 J City Business with Burma (Myanmar) prohibited.



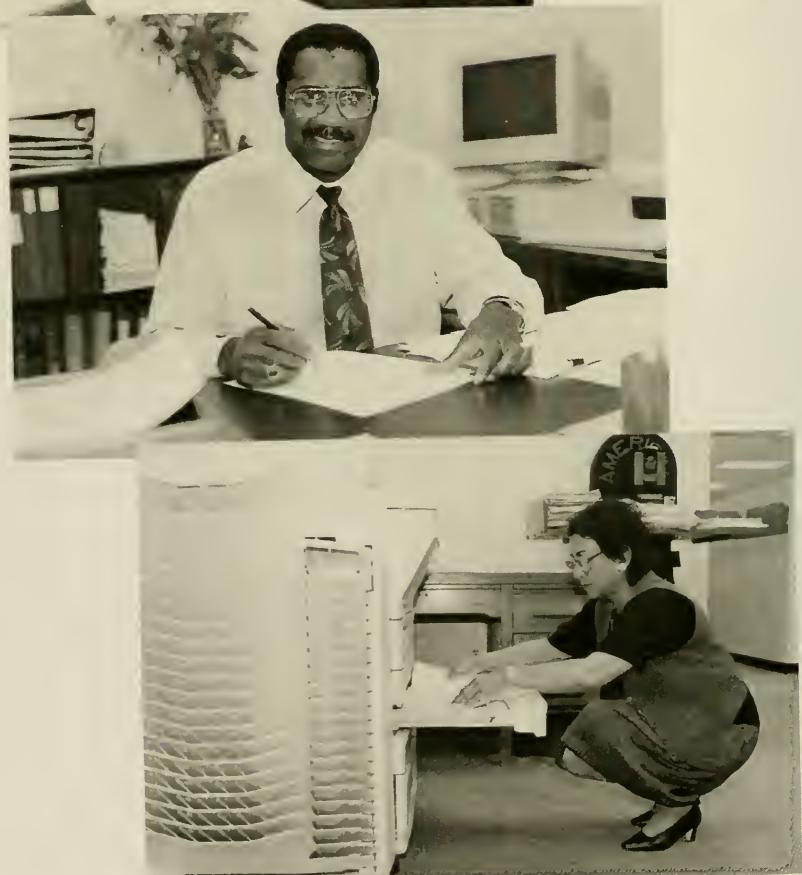


Portfolio Statistics

	FY 92-93	FY 93-94	FY 94-95	FY 95-96	FY 96-97
ALL FUNDS					
Interest Received	\$102,164,657	\$105,985,586	\$119,815,140	\$124,027,897	\$151,260,637
Total Interest Earned	\$99,750,412	\$109,091,268	\$124,645,050	\$132,882,435	\$19,223,354
Average Daily Balance	\$1,589,402,680	\$2,063,517,964	\$2,014,978,043	\$2,162,518,267	\$2,554,088,399
Earned Interest Yield	6.28%	5.28%	6.186%	6.128%	5.843%
POOLED FUNDS					
Interest Received	\$63,351,155	\$70,094,203	\$80,238,672	\$79,265,726	\$78,317,276
Total Interest Earned	\$63,702,410	\$71,308,709	\$86,240,445	\$80,011,024	\$71,745,315
Average Daily Balance	\$892,808,190	\$1,194,904,865	\$1,333,940,164	\$1,251,335,288	\$1,163,403,612
Earned Interest Yield	7.14%	5.968%	6.465%	6.377%	6.167%

Tax Collection Division





TAX COLLECTION DIVISION

The Tax Collection Division receives and deposits all monies for taxes, licenses and other fees due the City and County of San Francisco under the direction of the Treasurer, in accordance with the provisions of the Charter and the City's Administrative Code. It also provides the collection of delinquent accounts for other City Departments. In order to be effective, this work requires coordination with other agencies of the City and County, the Board of Supervisors and the State of California, as well as other tax administrators and policy bodies.

The office aims to provide an equitable and efficient collection of property taxes, business taxes, licenses, and miscellaneous fees in accordance with State Law and City ordinances, and at the same time, maximize investment return by expeditiously processing and depositing receipts.

The Tax Collector supervises seven operating sections: Administration, Cashier, Property Tax (Real Estate), Business Taxes and Audits, Delinquent Revenue Collection and Investigations, Legal, and Taxpayer Assistance/Licensing. The sections have the following basic goals:

- ❖ to provide centralized administrative services for the department and to provide support of divisional program activities.
- ❖ to provide centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.
- ❖ to maintain a post-audit program to determine the accuracy of taxpayer reports and to levy additional taxes, if the audit indicates an underpayment.
- ❖ to administer and collect such taxes as the Business Tax, the Payroll Expense Tax, Parking Tax, Hotel Tax, Utility Tax, Stadium Admission Tax, and Transient Occupancy Tax.
- ❖ to provide centralized collection and resolution of delinquent accounts in excess of 90 days for all City and County of San Francisco departments except those under the jurisdiction of the Public Service Enterprises.
- ❖ to collect fees for regulatory Licenses and Permits that are required by the Municipal Code and to collect Dog License fees.

The functions of each section are described in more detail in the body of this report. The narratives also include individual program goal statements directed toward the achievement of timely, quality public service. Together they express the main objective of the Tax Collector's Office: to maximize revenues in order to finance vital services and functions for the City and County of San Francisco.

Brief History

Richard A. Sullivan became Tax Collector on July 1, 1994 and began an all out campaign to restructure the Tax Collector's Office. A complicating factor was a significant increase in program scope and/or workload. This resulted from approval of 16 new local ordinances, over a 14-month period, including business tax ordinance changes and new revenue measures. The primary goal became to do more with less, with no commensurate increase in staffing.

An early activity was participation in a management audit conducted by the Budget Analyst's Office. The audit report presented detailed recommendations that supported and commended actions that the Tax Collector had already initiated. While still Deputy Tax Administrator, Mr. Sullivan had begun a Total Quality Management program that resulted in two in-house task forces.

*...a Total Quality Management program...
resulted in two in-house task forces.*

A task force, which focused on Taxpayer Assistance, recommended centralization of this function and suggested staffing it with generalists who could offer the equivalent of "one stop shopping". Another task force focused on the issue of centralizing accounting services.

These recommendations were given strong endorsement in the Budget Analyst's management audit report and are being implemented incrementally. Taxpayer Assistance was inaugurated in FY 96-97 and Centralized Accounting will become a reality in early FY 97-98.

A spin-off group, resulting from the centralized accounting task force, targeted study of the payment reconciliation process and made specific recommendations that are now under review by management.

A major activity begun in FY 95-96 was wrapped up this fiscal year. This was the Business/ Payroll Tax Penalty Amnesty program which, overall, generated approximately \$5 million in Business Tax registration fees and taxes.

Highlights of Achievements in Automation

Date	Event	Benefit/Impact
1994	Migration to a PC-based local area network (LAN) was 65% complete by year-end and new users were fully trained in Microsoft Word and Excel.	Enhanced ability of users to produce reports and financial documents including annual budget request in a timely and meaningful fashion.
1995	Columbia Ultimate Business System (CUBS), a collection system, nears completion of development stage and initial training of staff.	Increased ability to pursue delinquent debtors by centralizing information on tax indebtedness and enabling automated dialing. Managers better able to monitor work performance of collection officers.
1996	Columbia Ultimate Business System (CUBS) became fully operational and a shakedown phase begun.	Enhanced performance by Collection Officers attributable in part to use of CUBS. Managers were enabled to give guidance to collectors on how to work more efficiently.
1997	Upgrade begun to Pentium based CPU's with more RAM and additional LAN capacity.	Improved productivity as employees were trained in Windows95 and Office97 and began to perform even more efficiently.



ADMINISTRATION SECTION

The staff of this section continued to provide centralized administrative support services to the Department in the areas of budget and finance; information and data processing; telecommunications; payroll; personnel; purchasing and supply; equipment and facilities maintenance; and general office administration.

Management Information Services

The Treasurer/Tax Collector Department maintains a state of the art, PC based Local Area Network (LAN) system. This system is used for automation and telecommunication services and includes industry standard hardware and software such as Microsoft Word and Excel. Conversion to Microsoft Windows 95 and Office 97 began in June. This access to more powerful computing tools can be expected to enhance the productivity of the staff and enable more timely production of significant financial and budget reports and documents.



As this transition progresses, all staff will be given training in the use of the new software and in increased communications capability through the LAN system. New hires are now coming in already familiar with PC-based word processing and spreadsheet products. Employees already on board are coming up to speed.

Administration

Administrative staff continued throughout the year to handle all administrative and support staff services for the entire Treasurer/Tax Collector Department. The primary goals of the Administration section continue to be:

- to provide data processing and administrative support services to all staff in a comprehensive and efficient

manner as a means of increasing their productivity and improving service to the public.

- to provide revenue-generating staff with automated tools that will enable them to spend less time on clerical and document-processing functions and more time on revenue-generating activities.
- to utilize data processing and telecommunications systems that follow industry standards and provide a flexible base for future growth and development.

Staff Training

Staff members were afforded the opportunity to attend numerous classes and workshops intended to improve their technical and public contact skills. Such programs as "How to Handle Confrontational Situations"; "Dealing With Upset Citizens and the Public"; "Conflict Management Skills"; "Conflict Resolution and Confrontation Management"; and "Stress Management" were especially directed toward those employees who have direct contact with the public. Many of these classes were arranged through the City's Employee Assistance Program (EAP).

The City's End User Training program provided classes in Microsoft Word, Microsoft Excel for spreadsheeting, Introductory and Intermediate Paradox for database needs, and PowerPoint for presentations. The Department's upgrading to Windows97 made such training extremely relevant for those who were trained in other software packages. Employees in the Bureau of Delinquent Revenue receive training on an on-going basis on CUBS collection system software.

A cross-training and orientation program was given to 63 senior employees to give them an update on changes and innovations taking place in other sections. An on-going training program in the intricacies of Business Tax, Property Tax, Licensing, and Collections was conducted for the members of the newly formed Taxpayer Assistance Section.

Managers were afforded training in "Managing Problem Performance"; "Performance Management Appraisal"; "Business Writing for Professionals"; "First Time Supervisor"; and a Fraud/Ethics seminar. Auditors and Collections Officers attended "Audit Work Papers Training"; and "Successful Collection Techniques". Members of the Management Information Systems staff kept abreast of industry developments by attending "Advanced NetWare Administration". Senior Managers attended the California City Treasurer and Tax Collector Conference. Members of the Legal section took refreshers in Bankruptcy Law, Taxation, and attended the California County Counsel Association Conference.

Fourteen employees who have financial management responsibilities were trained in ADPICS, the City's new automated purchasing system.

Participation in all of these activities is consistent with the Treasurer/Tax Collector Department's goal of being recognized by the public and by City policy makers as the most efficient, knowledgeable, and helpful revenue-producing organization in the State of California.



TAX COLLECTOR'S CASHIER SECTION

Cashier Section receives, and accounts for, all payments of taxes, licenses, and other revenues. This includes those payments made over the counter, in cash or by check, by credit card or electronic funds transfer, and all payments received through the mail. The section maintains internal control of all payments through:

- a number identification data system
- batch control data
- microfilming the checks connected with each payment

The Cashier Section also opens, sorts, and processes all mail received by the Tax Collector's Office. All checks with proper supporting documents are processed immediately. Checks without proper supporting documents, or which need verification, undergo standard check control processing. This procedure ensures that all payments are correctly identified and recorded.



In FY 96-97, the Cashier section expanded, took on, and improved its duties and responsibilities. The introduction of Credit Card acceptance has provided an additional method by which payment of taxes and fees can be made. The number of Property Tax payments for businesses with remittance amounts of \$100,000 or greater, have also increased. These are accomplished by the use of direct wire transfer of funds to the City's bank account.

The Cashier section is now logged directly into FAMIS, the City and County of San Francisco's computerized accounting system. The section inputs and submits its daily deposit information directly into the system. This makes for greater efficiency in reporting current data. A staff of seven permanent employees process of all of these items. Additional temporary employees, both cashiers and clerks, are hired during the peak periods of Property Tax and other major collections.

Plans for the coming fiscal year include installation and upgrade of the Cashiering system and workstations. Workstations will be upgraded to Windows 95 and additional memory will be installed. New scanners will also be installed to enable direct capture of MICR check information.

Two letter-opening machines with the capability of opening and sorting mail are also in the plans for this section. These machines will improve the section's efficiency and use of staff. The use of temporary staff will be reduced significantly, resulting in annual savings of \$100,000 at a minimum.

The total number of items processed by the Cashier's staff was 576,633, resulting in total revenue of \$1,283,936,199. This was an increase of \$ 86,079,940 over last year's figure of \$1,197,856,259. The yearly high amount of revenue processed in a single day – \$71,773,139 – was accomplished by the Cashier's staff on December 10, 1996. The section has set and met an objective to process within three days all secured payments received on or before December 10 and April 10.

Retail Sales and Local Transportation Tax

The State of California, acting since 1958 as the agent of the City and County of San Francisco, collects the San Francisco Uniform Sales and Use Tax. The State returns revenues minus costs to the City and County, a sum amounting to \$107,627,087. The State collected an additional sum of \$ 23,970,307 for deposit in the Local Transportation Special Fund. Together, these items represented a total of \$ 131,597,394.

Note: The Cashier's figures do not match those of the Property Tax and Business Tax sections. The Cashier's figures represent the amounts originally collected, before adjustments. The figures of these two sections, as noted on their respective statistical tables, represent the amounts adjusted for transfers, duplicates, and overpayments.



Cashier's Section -- Statistical Activity

Comparison of Collections

TYPE OF COLLECTION	FY 92-93				FY 93-94				FY 94-95				FY 95-96				FY 96-97			
	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed										
\$571,621,411	303,192	\$587,439,946	310,191	\$617,015,288	310,049	\$601,570,918	311,754	\$617,277,748	314,473	\$933,587	9,852	\$933,587	9,852	\$617,277,748	314,473	\$933,587	9,852			
11,776,370	16,007	10,060,247	14,507	9,954,608	15,848	7,141,366	9,852	9,933,587	14,480	63,261,672	37,108	66,344,442	38,824	62,825,577	38,665	64,033,435	37,682	63,885,067	35,591	
881,458	1,255	388,836	907	813,457	1,106	22,989,687	41,177	23,466,512	46,126	UPP Supplemental				306,952	915	1,364,951	1,392			
17,755,971	34,595	24,946,252	41,011	22,989,687	41,177	8,817,760	64,898	8,817,760	64,898	Business Tax				27,459,580	915	44,836	44,836			
6,868,517	45,021	7,928,377	56,563	7,879,535	57,885	9,919,190	11,156	9,919,190	11,156	Business Registration				99,909	171	68,885	68,885			
--	--	--	--	--	--	--	--	--	--	Business Tax Amnesty Program*				--	--	--	--	--	--	
129,756,013	18,800	149,900,725	17,900	128,151,284	17,929	141,622,929	22,293	159,229,415	22,728											
75,689,932	3,067	95,901,142	5,072	93,583,771	4,772	98,940,792	4,909	134,919,500	4,773	Real Estate Tax				9,909	9,909	134,919,500	4,773			
27,936,283	1,316	34,758,055	2,590	30,926,089	3,039	34,618,789	3,128	37,755,561	3,083	Real Estate Supplemental Tax				33,039	3,128	37,755,561	3,083			
36,350,700	415	43,543,584	630	50,464,616	838	52,410,412	1,060	54,231,302	1,311	Unsecured Personal Property Tax				16	26	54,231,302	1,311			
1,296,235	10	2,276,205	18	2,498,563	16	2,791,934	26	2,828,382	23	UPP Supplemental				586,352	20	--	--	--	--	
--	--	--	--	813,900	36	2,690,979	76	--	--	Vehicle Renter**						--	--	--	--	
8,982,099	85,130	9,645,558	84,399	9,692,624	88,294	8,538,284	53,263	7,930,755	43,259	Licenses				53,263	24	7,930,755	43,259			
105,001,531	24	106,336,302	24	113,353,993	24	126,891,037	24	131,597,394	23	Retail Sales & Local Transport.				126,891,037	24	131,597,394	23			
11,313	99	11,160	98	9,330	87	9,644	79	10,230	84	Roofers Fees				9,644	79	10,230	84			
26,590,416	5,366	24,094,271	5,810	23,397,377	5,276	18,719,436	5,175	18,369,242	4,695	Tax Redemption				18,719,436	5,175	18,369,242	4,695			
3,098,606	11,859	3,046,444	10,874	2,848,661	11,998	2,538,549	11,936	2,938,485	12,966	Delinquent Revenue				2,538,549	11,936	2,938,485	12,966			
52,079	2,740	51,218	2,448	51,414	2,453	58,705	2,513	51,743	2,182	Voluntary Art Fund				4,453,169	23	51,743	2,182			
--	--	--	--	--	--	173,214	542	45,199	557	Emergency Response Fund				3,263,750	19	4,521,951	34			
173,214	542	45,199	557	202,211	3,921	179,375	2,765	112,116	1,815	Other				1,197,836,259	578,612	1,282,936,199	576,633			
TO T.A.L.S.																				

* One line Business Tax Amnesty.

** Vehicle Renter Tax new in FY 93-94, abolished in FY 96-97.

*** Emergency Response Fund established in FY 94-95.

Sources of Revenue - FY 96-97

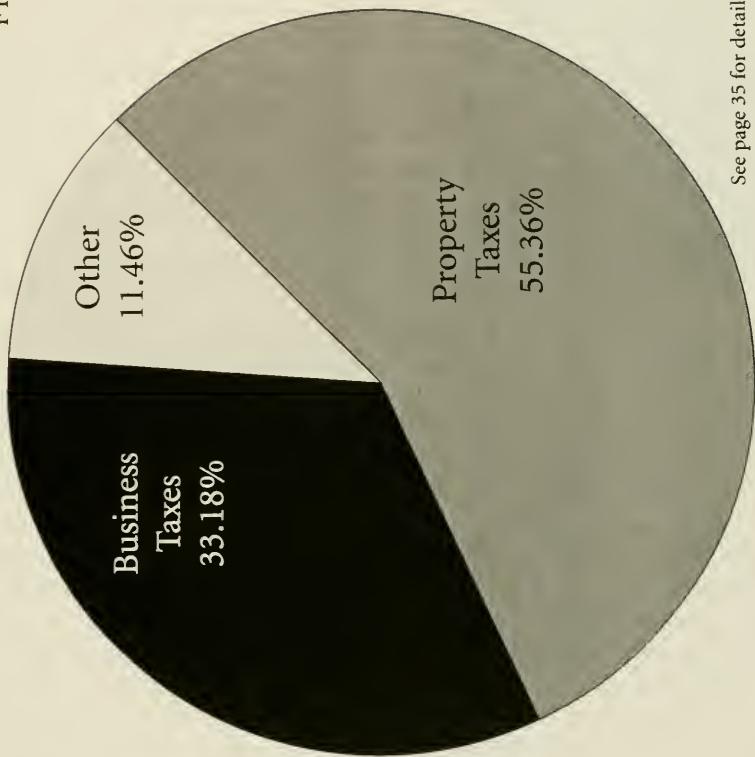
Treasurer/Tax Collector Department

CATEGORIES	Revenue	Percentages
Property Taxes		
Real Estate Tax	617,277,748	48.077%
Real Estate Supplemental Tax	9,933,587	0.774%
Unsecured Personal Property Tax	63,885,067	4.976%
UPP Supplemental	1,364,951	0.106%
Tax Redemption	<u>18,369,242</u>	1.431%
Total Property Taxes	<u>710,830,595</u>	<u>55.364%</u>
Business Taxes		
Business Tax	27,459,580	2.139%
Business Registration	9,519,190	0.741%
Business Tax Penalty Amnesty		
Payroll Tax	159,229,415	12.402%
Hotel Tax	134,919,500	10.508%
Parking Tax	37,755,561	2.941%
Utility Tax	54,231,302	4.224%
Stadium Tax	2,828,382	0.220%
Vehicle Renter Tax		
Total Business Tax	<u>425,942,930</u>	<u>33.175%</u>
Other		
Licenses	7,930,755	0.618%
Retail Sales & Local Transport.	131,597,394	10.250%
Roofers Fees	10,230	0.001%
Delinquent Revenue	2,938,485	0.229%
Voluntary Art Fund	51,743	0.004%
Other	<u>4,634,067</u>	0.361%
Total all other	<u>147,162,674</u>	<u>11.463%</u>
Totals	<u><u>1,283,936,199</u></u>	<u><u>100.002%</u></u>

(See graph on p. 36)

Sources of Revenue

Treasurer/Tax Collector
Department
FY 96-97



See page 35 for detail.

PROPERTY TAX SECTION

Property Tax Section collects, records, and reports payments of secured and unsecured property taxes and special assessments. The section has two major units: Real Estate and Tax Redemption Bureau.



Real Estate Unit

This unit began the tax collection process with the mailing of property tax bills. It dispatched more than 240,000 bills, including more than 50,000 unsecured tax bills, approximately 9,000 supplemental tax bills, and over 5,000 escaped tax bills, throughout the year. In FY 96-97, it made its biggest posting in mid-October, as it mailed approximately 170,000 secured property tax bills. This event took place two weeks earlier than the date required by the State Revenue and Taxation code of November 1. The nature of both the unsecured, supplemental and escaped tax bills required individual monthly mailings rather than one big mailing, as was the case for the regular secured tax roll.

In FY 96-97, the Property Tax Section received approximately 405,000 tax payments and collected \$ 706,306,560 in tax revenues. The NCR remittance processors processed most of these payments electronically and the Cashier processed the rest through her cashing LAN (Local Area Network) system. Regardless of the way in which they are handled, these payments must be recorded and reconciled. Afterwards, this section prepared the collection reports promptly and efficiently.

The public made 205,109 inquiries, either by mail, telephone, or walk-ins. Additionally, the Automated Information Line recorded 51,119 calls. Most of these inquiries involved:

- ❖ prorated tax bills
- ❖ revised tax bills
- ❖ duplicate tax bills
- ❖ explanations of tax bills
- ❖ refunds of duplicate/overpayments
- ❖ change of mailing address
- ❖ special assessments
- ❖ utilities liens
- ❖ public auction of tax defaulted properties

A significant increase in the number of inquiries was a direct result of an increase in the number of taxpayers' requests for reassessment of their property value.

Assessment oversights sometimes resulted in corrected tax bills being issued. The tax liability on these corrected tax bills could be either over- or under-stated. If it was the former, the Tax Collector had to transfer payment to the corrected tax bill and refund the difference to the taxpayer. Otherwise, the balance amount due had to be remitted to the Tax Collector.

Objectives:

The Property Tax Section set and met the following objectives:

- ❖ To complete mailing of all current year secured tax bills by November 1
- ❖ To process all refunds of duplicate and over payments of current and prior years within 60 days.
- ❖ To provide a list of delinquent unsecured accounts as of August 31 to the Investigation Section by October 15.
- ❖ To mail 100% of non-penalty courtesy letters within seven days of receipt from Cashier.
- ❖ To process all Electronic Fund Transfer (EFT) payments within one day of receipt.
- ❖ To reduce the total amount of outstanding refunds from previous fiscal years by more than 30 percent.

Tax Redemption Unit

This unit processes and computes payment of prior years' delinquent secured property taxes. It maintains complete listings and accounting records of prior years' delinquent property taxes, penalties, costs, redemption penalties and fees. It also maintains complete records on taxes being paid under the five-year installment payment plan. In FY 96 97, taxpayers redeemed 3,256 tax-defaulted parcels to produce a tax revenue of \$ 20,584,120 -- a 14% increase from previous years' revenue collections.

An on-line automated financial system maintains the accounting records for delinquent taxes outstanding and collected. It automatically accumulates the tax liability on a monthly basis until the property is either redeemed or sold. It has inquiry, update, and payment recording capabilities.

The unit received a high volume of inquiries from the following entities:

- ❖ general public
- ❖ title insurance companies
- ❖ mortgage companies
- ❖ savings and loan companies
- ❖ banks
- ❖ tax service agencies

Most inquiries involved the:

- ❖ interpretation of the State Revenue and Taxation Code
- ❖ current tax status
- ❖ computation of taxes and penalties
- ❖ requests for Certificate of Redemption
- ❖ explanation of 5-year installment payment plan
- ❖ public auction of tax defaulted properties

To perform these functions effectively, this unit fosters a close relationship with the offices of the City Controller, Assessor, Recorder, and State Controller.

The Tax Redemption Unit also prepares lists of properties that have become tax-defaulted and, consequently, are subject to sale. In compliance with state law, the Tax Redemption Unit published the Delinquent List in September 1996 as well as the Notice of Impending Tax Default and the Notice of Power and Intent to Sell Tax-Defaulted Property in June 1997 in the local newspaper.



Property Tax Section -- Statistical Activity

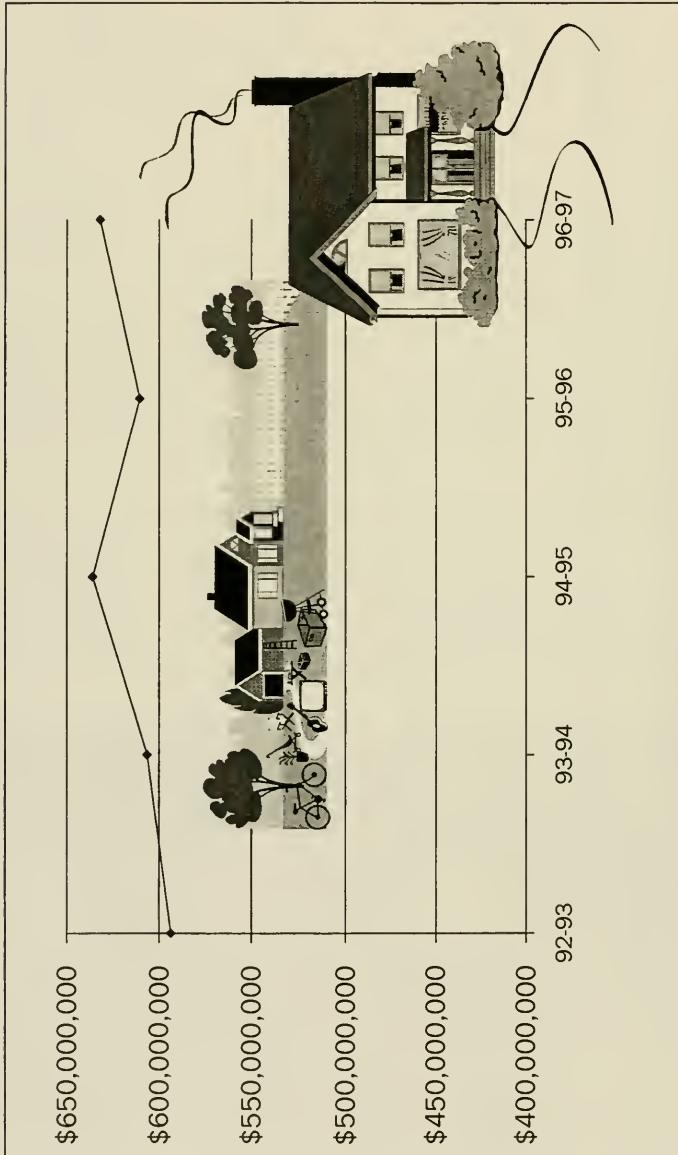
Comparative Tax Collection Report

TYPE OF COLLECTION

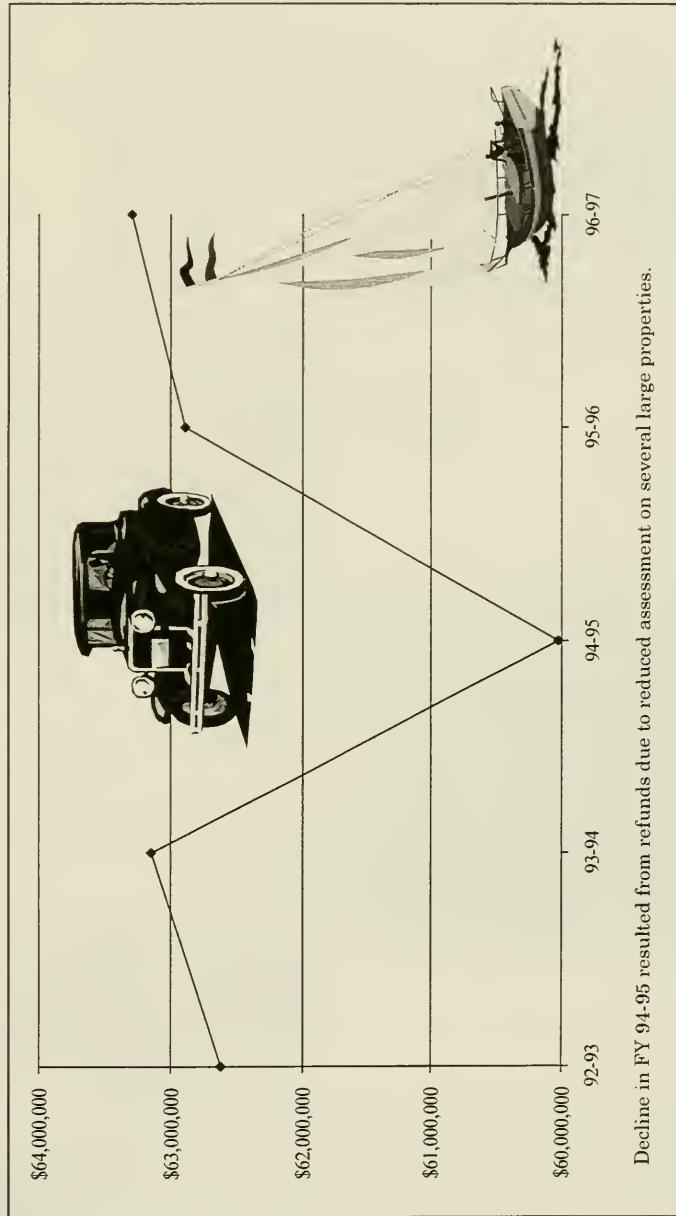
	FY 92-93	FY 93-94	FY 94-95	FY 95-96	FY 96-97
Secured Property					
Current Year	\$567,975,523	\$83,074,455	613,909,404	\$93,173,814	611,779,218
Prior Year Redemptions	25,800,515	23,659,235	22,266,281	17,969,056	20,584,120
TOTAL SECURED	\$593,776,038	\$606,733,690	\$636,175,685	\$611,142,870	\$632,363,338
Unsecured Property					
Prepaid	\$350,950	763,982	730,172	765,659	462,319
Current Year	59,240,068	60,940,515	58,649,813	59,729,106	61,345,290
Prior Years	3,028,039	1,447,582	644,005	2,395,351	1,483,868
TOTAL UNSECURED	\$62,619,057	\$63,152,079	\$60,023,990	\$62,890,116	\$63,291,477
Supplemental					
Secured	\$11,085,641	\$9,024,463	\$9,730,271	\$6,924,345	\$9,529,764
Unsecured	854,742	337,721	719,362	363,398	1,121,981
TOTAL SUPPLEMENTAL	\$11,940,383	\$9,361,684	\$10,449,633	\$7,288,243	\$10,651,745
TOTAL COLLECTIONS	\$668,335,478	\$679,247,453	\$706,649,308	\$681,321,229	\$706,306,560

Amounts in the Cashier's Report are before adjustments. Amounts in this report are adjusted due to transfers, duplicates and overpayments thus differing in affected categories from the Cashier's Report.

Secured Property Tax



Unsecured Property Tax





BUSINESS TAX SECTION

Business Tax Section is responsible for implementing the following tax ordinances under City and County of San Francisco Municipal Code, Part III, Revenue and Finance:

Article 7	Sec.501 et. seq.	Transient Occupancy Tax
Article 9	Sec.601 et. seq.	Parking Tax
Article 10	Sec.701 et. seq.	Utility Users Tax
Article 10-A	Sec.750 et. seq.	Emergency Response Fee (New)
Article 11	Sec.801 et. seq.	Stadium Operator Admission Tax
Article 12-A	Sec. 901 et. seq.	Payroll Expense Tax Ordinance
Article 12-B	Sec.1001 et. seq.	Business Tax Ordinance
Article 12-B	Sec.1002.9	Registration Fee
Article 12-B	Sec.1007.1	Roofers Vehicle Tag

The Mission of the Business Tax Section is as follows:

- ❖ To provide taxpayers with the highest level of assistance and information in registering their businesses, filing their returns, and other tax matters.
- ❖ To perform compliance audits.
- ❖ To promote voluntary taxpayer compliance with the City's tax ordinances.
- ❖ To efficiently and accurately maintain taxpayers accounts and files on the automated Business Tax System (BTS).
- ❖ To provide City departments with quality information for economic planning and forecasting in the most effective and efficient manner.

1996-97 FISCAL YEAR HIGHLIGHTS:

Office Administration

- ❖ During FY 96-97, the Board of Supervisors passed the Garment Manufacturers' Tax Credit Ordinance to provide a tax credit beginning with calendar year 1997. This was created as an incentive to enable businesses to strengthen and revitalize their production and management systems, upgrade the skills and competence of their workers, and invest in new equipment and technologies. Small and medium sized businesses will be enabled to

compete in the global economy and to expand manufacturing jobs within San Francisco. The credit is 60% of the cost paid or incurred by a garment manufacturer for the purchase or lease of technical equipment for use in the business, for work reorganization within the factory, and for employee training for the first year. An additional 40% is allowed for the second year if the equipment or employee remains in service.

- ❖ The New Jobs Tax Credit Ordinance was extended until the year 2001. There has been a significant increase in the numbers of taxpayers filing for tax credits. In 1995, 115 businesses applied for this credit, increasing to 171 in 1996.
- ❖ The Emergency Response Fee, instituted in 1994, was deemed the most practical and equitable temporary revenue mechanism to finance the acquisition and construction of land, equipment, software and facilities necessary to provide an adequate and reliable 911 emergency dispatch and communications system under a single uniform command structure. The fee will expire when all eligible project costs have been recovered. As of June 30, 1997, \$ 12.2 million has been recovered from this fee which appears on residential and commercial telephone bills.

Audits

- ❖ In addition to audits of businesses located within the city, out-of-state audits of businesses headquartered outside the city have been conducted for the past several years. This year, the program was expanded from one such audit campaign to two. Five auditors were sent for two weeks to several major cities outside San Francisco, resulting in \$ 150,119 in deficiency billings. The total additional cost to the City, due to travel/per diem costs, was \$12,758.
- ❖ This fiscal year, an automated audit selection and reporting system to assist audit administration was implemented. Audits are assigned to auditors from computer selected accounts. The computer program is able to monitor both the progress of an audit and the auditor's performance. In addition to retaining results, the program can produce audit reports and statements of accounts. On-line screens are available for managers and staff to determine the status of an audit, accounts assigned for audit, which accounts are assigned to a specific auditor, dates, results, and payments received.



- ❖ With the implementation of an annual audit plan to meet new audit goals and objectives, routine audit deficiency billings generated \$7,847,499 in audit billings this fiscal year.
- ❖ With the on-going restructuring of the Business Tax Section and the establishment of an Accounting Unit, auditors were able to concentrate on field audits by completing 970 audits this year, an increase of 43% over last year.

Accounting

- ❖ This was the first full year of operation for the Accounting Unit organized during FY 95-96. During this period, many new services were either introduced or improved. The previous regular practice of utilizing audit staff to perform various routine accounting services during the year was largely eliminated due to the establishment of this new unit. The result has been improved efficiencies in the operation of the Accounting Services unit and the Audits unit.
- ❖ The Accounting Unit staff concentrates on performing all necessary accounting transactions to taxpayers accounts and on serving taxpayers in a timely fashion. The Audits staff concentrates on performing necessary audits in a thorough and timely fashion. Because both units have been able to focus on their respective areas of expertise, tax revenues have notably increased and the professional image of the Business Tax section has improved.
- ❖ During FY 96-97, the Accounting Services staff attained the following significant goals and achievements:
 - ❖ **Management of Taxpayers Statements and Documents:** Staff was responsible for the issuance, receipt, processing, and management of over 68,000 Annual Gross Receipts and Payroll Tax Statements; 66,000 Annual Registration Statements; 9,000 Prepaid Tax Statements; 4,000 Hotel Tax Statements; 1,500 Parking Tax Statements; 1,200 Utility Tax Statements; 600 Tax and Fee refunds; and related remittances.
 - ❖ **Proactive Service to Taxpayers:** In order to serve San Francisco Business Tax taxpayers better, 68,000 reminder notices were sent by separate mailing to advise taxpayers to file timely. In addition, staff takes every opportunity, utilizing correspondence and telephone contact to encourage taxpayers to comply with various filing and time requirements in order to avoid late filing penalties. Many taxpayers have remarked or written that they appreciate these proactive services that were not performed previously.

- ❖ **Taxpayer Inquiries and Correspondence:** Staff reviewed and responded to over 1,200 taxpayer inquiries and correspondence. This is a significant improvement over previous years. Each action requires understanding of the issues, review of documentation, analysis of accounts, and research of regulations. This increased focus is a part of the effort to keep taxpayers better informed.
- ❖ **Waiver of Penalties:** Staff has reviewed and taken action on over 8,000 “Waiver of Late Filing & Other Penalties” requests. Non-compliance and late filing penalties have increased substantially for those taxpayers that fail to pay on time, in an effort to encourage timely compliance. Despite a greater number of challenges to these penalties, staff has performed careful review before granting waivers.



more modern, functional, and attractive workstations, obtained at very little cost, have contributed to staff productivity and provide a more professional look to the Business Tax offices.

- ❖ **Future Developments and Enhancements:** Accounting Unit management plans to introduce improved operating efficiencies, and additional automated systems and aids. New, more efficient procedures are being developed for a higher level of review and analysis of filings in order to assure maximization of revenues through an even higher level of compliance.

Systems and Automation

- ❖ This fiscal year, the Business Tax section expanded the automated processing of the Gross Receipts and Payroll Expense Tax statements.
 - ★ As of the 1996 Tax filing, both types of annual Gross Receipts and Payroll Expense Tax Forms are being scanned.
 - ★ The data from the scanned forms, in addition to being copied to the mainframe Business Tax System, remain easily available in a PC database system, permitting very quick ad hoc, statistical reporting.



❖ An imaging system for the annual statements was put into operation.

★ The scanned forms are also kept as picture-like

images. This allows rapid viewing and printing of reproductions of the filed annual Gross Receipts and Payroll Expense Tax statements.

- ★ In addition, the imaging system permitted the Business Tax section to streamline the paper statement filing system, allowing easier filing and, when they are needed, retrieval of scanned images of the paper forms. No further processing of the paper forms is required although the originals are still retained in compliance with applicable law. The new system saves weeks of tedious filing of paper forms and frees staff to address more critical tasks.
- ❖ Non-confidential data from the Business Tax System became available on a PC database system, permitting speedy response to taxpayers' requests for information under the Sunshine Ordinance and to internal requests for ad hoc reports.

Business Tax Section -- Statistical Activity

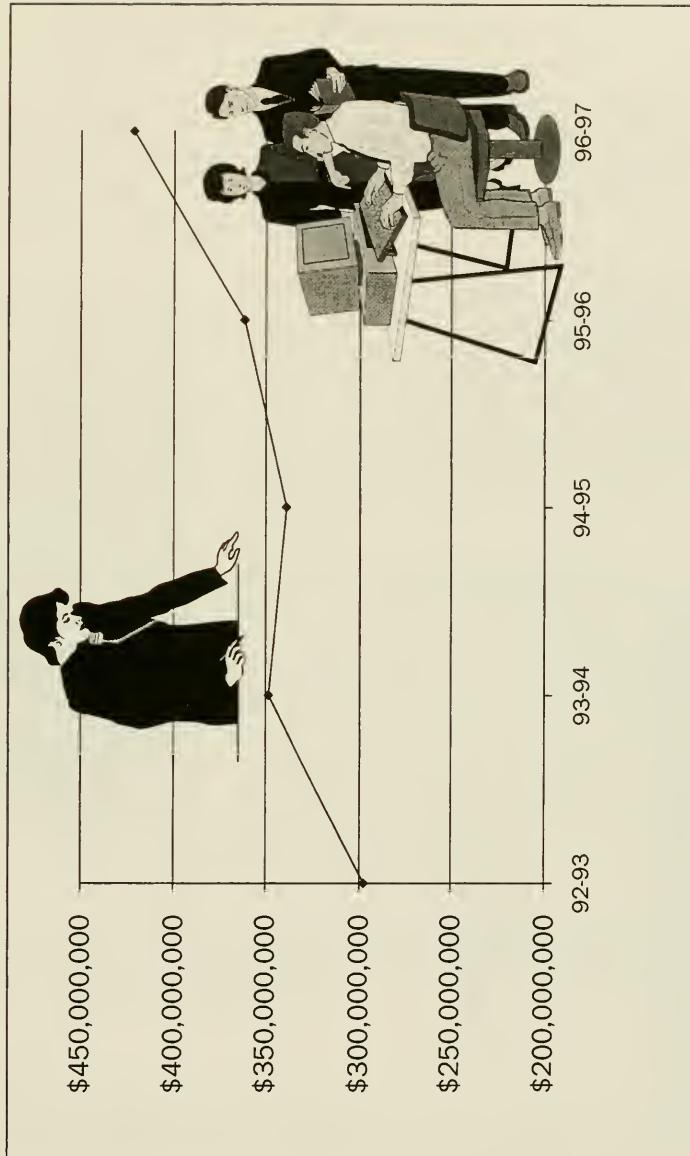
TAX COLLECTION

	FY 92-93	FY 93-94	FY 94-95	FY 95-96	FY 96-97
Payroll/Business Tax	\$147,511,982	\$164,581,432	\$143,108,308	\$159,176,195	\$178,177,671
Utility Tax (1)	37,273,581	34,740,983	50,464,616	52,410,412	54,231,301
Parking Tax (1)	28,495,139	43,543,585	30,926,090	34,618,791	37,499,274
Hotel Tax	75,689,933	94,538,696	93,583,771	98,940,792	134,848,650
Stadium Tax	1,296,235	2,276,206	2,498,563	2,791,933	2,567,412
Registration Fee	6,868,518	7,928,487	7,879,534	8,687,272	9,519,190
Roofers Vehicle Tag Fee	11,313	11,340	9,330	9,554	10,230
Vehicle Renter Tax	0	813,900	2,090,979	586,352	0
Emergency Response Tax	0	0	3,263,750	4,453,172	4,521,952
Amnesty Program	0	0	5,234,381	99,909	0
TOTAL	\$297,146,701	\$348,434,629	\$339,059,322	\$361,774,382	\$421,375,680

AUDIT RESULTS:

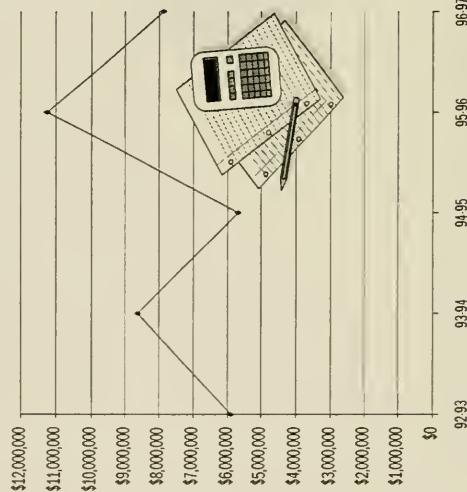
	FY 92-93	FY 93-94	FY 94-95	FY 95-96	FY 96-97
Audit Hours	2,666.0	5,625.0	5,063.0	12,170.0	15,193.0
Audits Completed	209.0	386.0	321.0	677.0	970.0
Average Hours/Audit	12.8	14.6	15.8	18.0	15.7
Average Billings/Audit	\$28,106	\$22,334	\$17,628	\$16,533	\$8,090
Average Billings/Hour	\$2,203	\$1,533	\$1,118	\$923	\$517
Audit Deficiency Billing	\$5,874,170	\$8,621,045	\$5,658,563	\$11,226,923	\$7,847,499

Business Taxes

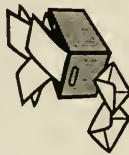
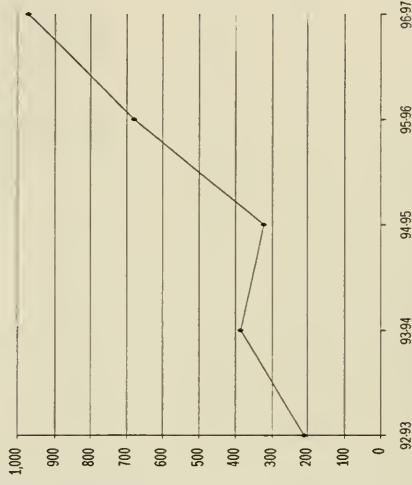


Audit Billings

Billings Collected



Audits Completed



Bureau of Delinquent Revenue/Investigations

The mission of the Bureau of Delinquent Revenue is to provide collection services to various departments of the City and County of San Francisco, (with the exception of Public Service agencies), and to enforce collections by filing tax liens, summary judgments, initiating small claims court actions, initiating seizures, and recommending larger accounts for Municipal or Superior Court actions.



These services are as authorized by the San Francisco Administrative Code, Section 10.38. If City departments are unable to collect monies owed them within 90 days, accounts are referred to BDR for collection. Currently, BDR has open accounts for 19 different departments. The bulk of BDR collections originate from San Francisco General Hospital (SFGH) referrals.

Because many of the processes and functions performed by BDR and the Investigations section have been found to be similar, the goal was set to accomplish a merger process which began in November 1996. This merger was effectuated in order to restructure and streamline the collections and enforcement processes performed by these two sections. As a result of this merger process, there now exist, under the umbrella of the Bureau of

Delinquent Revenue, three collection units plus an investigations unit.

While the majority of delinquent accounts are comprised of medical debts, collection officers also work on accounts involving property damage, unpaid public work permits, defaulted small business loans, and several other types of debt.

Medical Collection Unit:

All delinquent accounts referred to BDR under Section 10.38 of the Administrative Code are processed in this unit. Currently, BDR has devoted most of its efforts to filing medical reimbursement liens in third party cases. Generally, a patient who was involved in an accident receives hospital treatment at one of the City-owned medical facilities. This patient then

brings action against a third party to recover damages, including medical expenses. Pursuant to the San Francisco Health Code, Section 124, et.seq., BDR is authorized to file a lien against any settlement, compromise or judgment funds that the patient is awarded. Aggressive filings in these cases have proven fruitful.

In addition, BDR has collected, via liens in third party cases, despite the patient having then qualified and received Medi-Cal payments. In the past, BDR did not collect where Medi-Cal was involved. However, due to a change in the state code, counties now can collect on the precondition that the State is reimbursed its Medi-Cal payments. BDR carefully adheres to the Medi-Cal regulations in this respect. In all cases, BDR has collected more funds than the amount received from Medi-Cal.

An issue has arisen where BDR has filed a lien in cases where the City is the defendant. The City is represented by the City Attorney's office and, as a matter of policy, BDR has deferred to that Department's recommendations. Past and current practice is such that the City Attorney's staff uses BDR liens as negotiation tools to reduce the City's liability.

Consequently, the Deputy City Attorney waives a valid lien to the benefit of the particular department that incurred the liability. This matter has been brought to the attention of San Francisco General Hospital's administrators in hopes that there can be some way to reimburse the hospital.



Despite increased collections, BDR was required to cease collections in cases where the hospital has surrendered its rights, under specific contract language, to collect in third party cases. The hospital currently has such contracts with Health Service System, Blue Shield, Blue Cross, and State Fund, to name a few. The hospital has agreed to insert language in these contracts to enable BDR to resume such collections and has agreed to keep BDR apprised of progress in this area.

The primary focus of collection officers is on revenue generation. However, it is also important to decrease the accounts receivable file by clearing accounts that have been cancelled or abandoned. BDR was able to reduce receivables by a total of \$23,527,100 for FY 96-97, using specified criteria such as expiration of the statute of limitations, cases settled in full, and the like. This compares very favorably to total abandonments of \$6,523,991 in FY 95-96.

The check control process has now been centralized and streamlined in this unit. Formerly, individual collection officers processed payments received on accounts. It was a cumbersome, time-consuming process, requiring collectors to complete a receipt in quadruplicate with each and every payment regardless of whether the remittance was \$10 or \$10,000.

BDR eliminated this process by replacing it with information generated by the system. Instead of typing revenue codes, patient name, amount of payment, and the like, the patient's face sheet is printed and the amount of payment is written on it. A clerk has been assigned to perform this simple function with specific guidelines and training. There have been no problems with this change. Collection Officers are now able to focus their time and effort on duties that require collection skills.

The changes noted above have resulted in a 41% increase in the Medical Unit's collections in FY 96-97. The collections for the fiscal year totaled \$7,021,095 compared to last year's collections of \$4,978,347.

Escrow & Bankruptcy Unit

BDR has been able to obtain on-line access with the Chapter 13 Trustee. Now, information such as date of petition, employer name, social security numbers, and status of estate can be obtained immediately. Other bankruptcy chapters require more than one trustee, making it difficult to obtain the same immediate service. There is only one trustee under Chapter 13. This access has increased productivity and facilitates collections significantly.

Collections by this unit increased by 60% overall, from \$2,358,491 in FY 95-96 to \$3,783,181 this FY 96-97.

Business Tax/Clearance Collection Unit

Business Tax

BDR's Business Tax Unit, formed in January 1996 to collect delinquent business taxes, is still relatively new. Collection Officers in the unit must have an extensive knowledge of the Business Tax System (BTS). They must be able to analyze the accounting in connection with the debt, and possess a thorough understanding of business tax ordinances. This unit started at inception with collection of unpaid registration fees, then expanded to collect delinquent payroll and gross receipt taxes, hotel and parking taxes. This unit is also highly successful in collection, through installment payments, of audits and determinations. In FY 95-96, this unit generated \$1,016,031 in delinquent business taxes revenues. This fiscal year, collections increased by 562%, totaling \$5,713,928.

Clearance

The Business Tax Unit and Clearance Unit, formerly associated with Investigations Section, have now been merged. This was done to eliminate duplication of efforts.

The Clearance unit checks all business accounts for delinquencies of any kind. All delinquencies must be paid in full before a business tax registration certificate can be issued. This unit collected \$2,271,227 in FY 96-97.

The combination of these two operations has been fruitful. A procedure is now in place whereby a collector can track each account so that overlap is minimized considerably. Further, a Collection Supervisor was hired March 1996 to oversee and supervise this merger. A more harmonious and consistent operation is the result.

Under this new arrangement, the initial collection of unsecured personal property taxes, formerly collected by the Investigations Section, will take place. This shift of functions will allow investigators to take on more of the enforcement duties outlined below. Training has been conducted and the collectors are ready to take on the generation of these funds for the City.

This next fiscal year, the Collection Supervisor has proposed that an appropriate fee be imposed for production of duplicate certificates. These requests average 55 per month. In most cases, the taxpayer has lost the original.

Types Of Collection Services

Collection services that BDR provides include, but are not limited to, billing and debt resolution; tracing the debtor's whereabouts (skiptracing); employment verification; filing creditor claims in probate, escrow and bankruptcy estates; filing liens in court cases and workers' compensation cases; making appearance in Small Claims Court; and conducting post-judgement actions.



Update On Collection Software

In FY 95-96, BDR installed a new computerized collection system called Columbia Ultimate Business Systems (CUBS). CUBS has proven to be a vast improvement over the TAU0 system. Data changes made in one field automatically change other affected fields, thereby saving time and effort in inputting the data. Information is compiled for management and performance reports as accounts and collector performance are automatically gauged. Summaries of accounts are provided. Medical liens, acknowledgments, and credit reports are all on-line.

All collectors now receive initial training and intermittent refresher courses conducted by a Collection Supervisor. Total collections have increased as a result of this new system. Collection performance standards have been increased and are being met by all the collectors.

BDR approached Columbia Ultimate Business Systems (CUBS) to create a module to enable input of all unsecured personal property taxes into the system. This would permit the same features, in terms of reports and tracking used for delinquent collections, to be utilized. Since then, following San Francisco's lead, other counties including Los Angeles, Santa Barbara, Ventura, and Fresno, have "jumped on the bandwagon" and are working closely with BDR to list all needs.

CUBS is splitting the project into two phases. Phase I will focus on the interest portion and Phase II will entail the initial bills, lien integration, reports, packeting, joint and several liability issues, payoff procedures, and additional penalties and fees. To facilitate this project, CUBS intends to hire a new Project Manager.

Another project, which would have allowed uploading SFGH cancellations into CUBS has unfortunately taken a back seat to San Francisco General Hospital's (SFGH) project of downloading payment remittances onto a diskette for uploading into SFGH's system. CUBS has been working closely with SFGH's MIS staff to effectuate this. CUBS' gain in experience and knowledge of SFGH's system, will certainly facilitate implementation of BDR's project.



Incentive Program

The Director of BDR continues to implement an incentive program to reward top performance in this section. Each month, the collector generating the highest revenue receives recognition in the form of an "Olympic Gold" trophy, inscribed "Top Collector", for display at his/her desk. Their picture is also posted. At the end of the fiscal year, certificates of appreciation are distributed to these top performers. Management continues to receive positive feedback concerning this morale-building program.

Investigations Unit

A major function of the Investigations Unit is to ensure that taxpayers comply with the State Revenue and Taxation Code for the County and local tax ordinances of the City of San Francisco. The unit operates in support of all sections in the Tax Collection Division.

Investigation of delinquencies involves in-depth collection and enforcement of unsecured personal property taxes for the Property Tax Section and business payroll and gross receipts taxes for the Business Tax Section.

This unit is divided into two subgroups:



Management Group:

This group is responsible for all fiscal matters for the Investigations unit, such as accounting and financial reports, clearance of assignments, and personnel issues. It also handles Small Claims actions, bounced check cases, business tax audits, and apartment/condo delinquencies. Senior personnel in this group process all complicated cases.

Field Investigations Group

The field investigators, who have the greatest personal contact with taxpayers, perform a variety of tasks in their efforts to resolve non-compliance issues. Their responsibilities are to:

- ❖ Locate delinquent taxpayers
- ❖ Exact payment from them for their delinquent taxes

- ❖ Service legal documents on behalf of Legal Section
- ❖ Assist Business Tax Section in registering a taxpayer's business

The merger of the Investigations Unit into the Bureau of Delinquent Revenue is an evolving process. Duties and responsibilities of each unit within the newly restructured BDR section, and in the existing Legal Section, are being examined and, in some cases, reallocated. To move this effort forward, a Merger and Legal Oversight Committee was formed and began operations in FY 96-97. On-going discussions and meetings have been conducted to facilitate this complicated process.

A plan has evolved which will relieve Legal section of certain duties concerning payment agreements and post-judgement remedies. Legal staff will then be free to pursue more productive issues. A 4335 Senior Investigator will be assigned to focus on these tasks formerly performed by Legal Section. Also, further changes, outlined below, will be implemented this FY 96-97:

- ❖ Seizures of checking accounts
- ❖ Citations, pending ordinance amendment
- ❖ Expanded surveys
- ❖ Small Claims appearances
- ❖ Summary judgments
- ❖ Franchise Tax Board offsets
- ❖ Higher level of collection of complex accounts
- ❖ All enforcement related and field activity

Investigators will be issued badges clearly identifying them as representatives of the Tax Collector. These will provide immediate visual impact and will underscore the Investigators' authority to conduct inquiries concerning delinquent accounts. Administrative hearings concerning seizures of checking accounts relative to unsecured personal property taxes are being implemented. New procedures have been written and are being placed into effect.

The TBAI/TBAX system currently holds all unsecured personal property tax ac-



counts. The Investigations Unit has been steadily involved in plans to install a new computer program that will enhance this system. This new program is called INPACT, an acronym for Integrated-Property Tax Assessor-Controller-Tax Collector. With this system, information can be accessed faster and more easily. Certain data will be consolidated, processes will be automated instead of performed manually, and reports will be generated directly. Much time and care is being invested to make this improved system a reality.



Many business tax-related accounts were transferred to the Business Tax Collections Unit in FY 96-97. Investigators were thus free to expend more time and effort on unsecured personal property taxes. As a result, collections for FY 96-97 increased by 19%

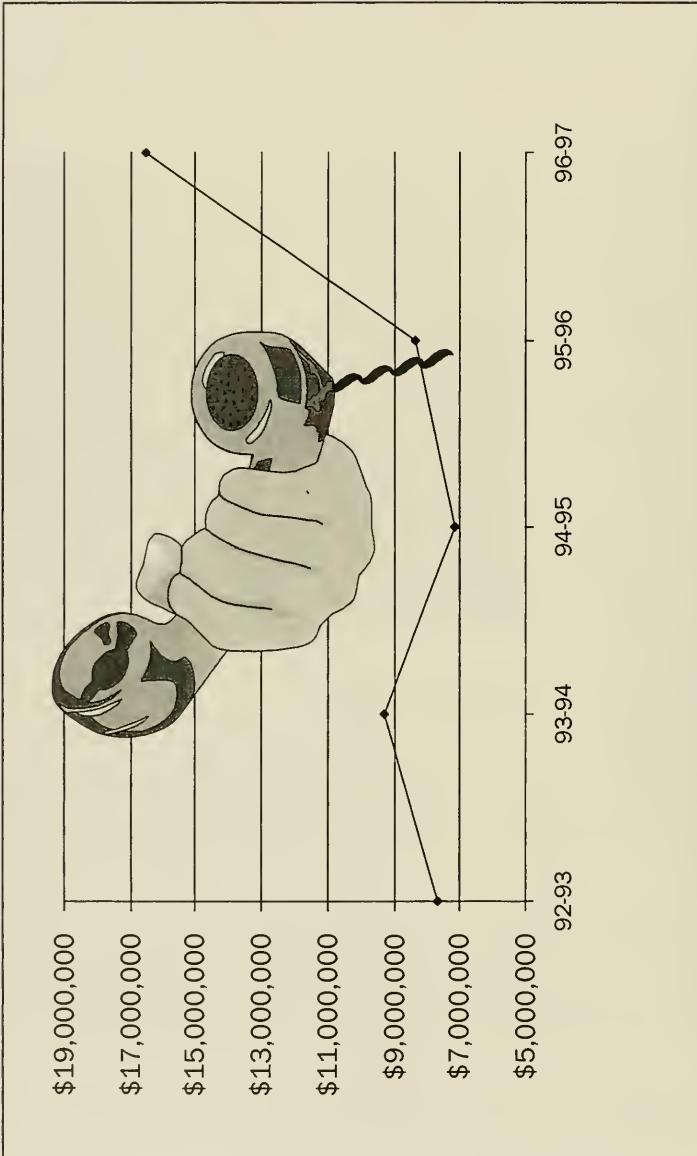
over the previous year. A total of \$8,861,063 was realized, compared to FY 95-96's collections of \$7,418,755.

Collection figures may alter significantly for the next fiscal year for two reasons: 1) the initial collection of unsecured personal property taxes is being transferred to the Business Tax Collections Unit, and 2) enforcement measures to ensure compliance will receive increased emphasis.

Bureau of Delinquent Revenue -- Statistical Activity

COLLECTIONS	FY 92-93	FY 93-94	FY 94-95	FY 95-96	FY 96-97
Dept of Public Health	\$2,820,868	2,785,974	2,549,157	2,257,406	2,855,073
Contractual Services	170,195	161,865	248,470	139,638	83,413
Payments Direct to Dept of Public Health	3,374,226	3,413,633	1,356,354	2,439,910	4,076,208
All Other Departments	107,544	98,605	46,434	141,394	6,401
Escrow & Bankruptcy	1,199,975	2,820,334	2,946,901	2,358,491	3,783,181
Business Taxes			1,016,031	5,713,928	
TOTAL, COLLECTIONS:	\$7,672,808	\$9,280,411	\$7,147,916	\$8,352,870	\$16,518,204
OTHER DELINQUENT ACCOUNT DATA	FY 92-93	FY 93-94	FY 94-95	FY 95-96	FY 96-97
Total No. of Outstanding Accts (except outpatient)	7,204	6,296	6,551	8,568	8,429
Total No. of Outpatient Medical Accts	83,584	78,830	102,449	168,377	167,890
Total No. of Cash Collections	12,846	12,197	13,098	13,812	12,947
Total No. of Direct Payments to Dept. of Public Health	3,583	3,078	1,516	2,659	5,796
Total No. of Transfers to Bur. of Delinquent Revenue	38,966	82,209	88,718	67,125	73,937
Total No. of Business Tax Accounts				700	8,604
Total No. of Accounts	146,183	182,630	212,332	261,241	277,603

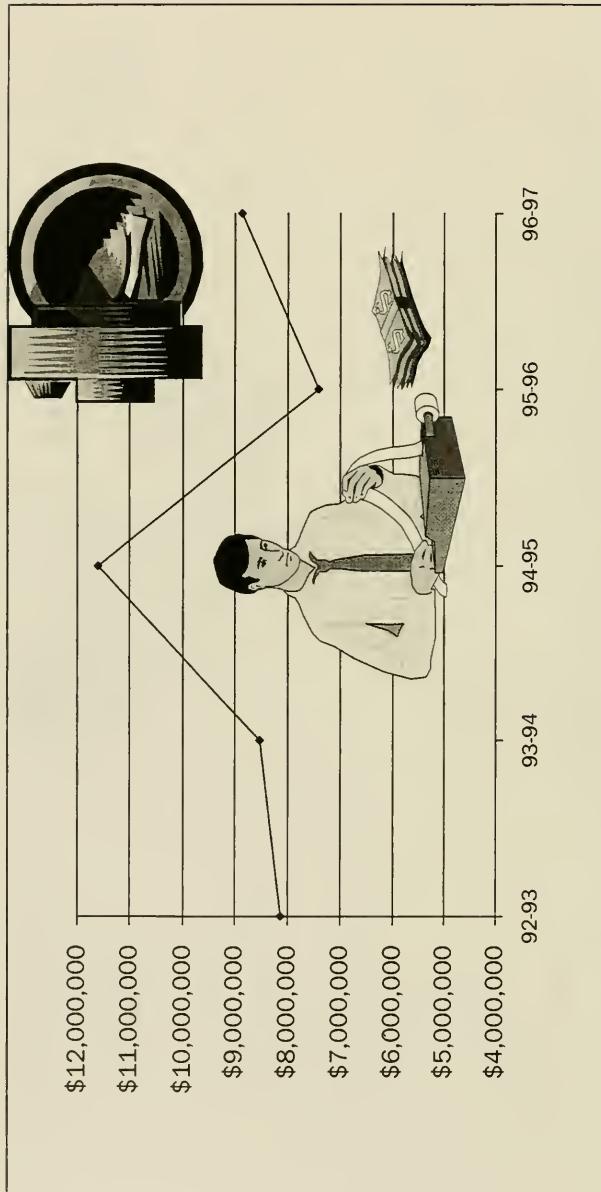
Bureau of Delinquent Revenue



Investigation Unit -- Statistical Activity

	FY 92-93	FY 93-94	FY 94-95	FY 95-96	FY 96-97
COLLECTION ACTIVITY					
Collections Made	\$5,819,312	6,465,982	9,621,479	5,375,742	6,872,304
Clearance Unit Collection	\$997,871	2,067,475	1,981,678	2,043,013	1,988,759
Tax Default Sale	\$1,315,694	--	--	--	--
TOTAL	\$8,132,877	\$8,533,457	\$11,603,157	\$7,418,755	\$8,861,063
Calls Made	14,983	18,123	23,083	22,315	18,871
Average Collections per call	\$455	357	503	333	370
CASES FILED & INSTITUTED					
Small Claims Court	70	106	52	4	34
Municipal/Superior Court	1	0	0	0	0
TOTAL ACCOUNTS SUBMITTED FOR SUIT	71	106	52	4	34
INVENTORY OF ACCOUNTS					
Accounts open at Start of Year	89,942	92,774	96,636	99,088	100,576
Accounts Received During Year	7,469	14,022	8,134	7,197	19,954
Subtotal	97,411	106,796	104,770	106,285	120,530
Accounts Closed During the Year	(4,637)	10,160	5,682	5,709	8,250
Accounts Open at End of Year	92,774	96,636	99,088	100,576	112,280
CLEARANCE UNIT INVENTORY OF ACCOUNTS					
Open at Start of Year	14,141	13,633	8,345	19,132	17,698
Accounts Received	42,327	49,858	67,703	65,941	73,041
Subtotal	56,468	63,491	76,048	85,073	90,739
Minus: Accounts Cleared	(42,835)	55,146	56,916	67,375	64,958
Accounts Open at End of Year	13,633	8,345	19,132	17,698	25,781
OTHER ACTIVITY					
Certificates of Lien on File	7,630	7,831	4,909	4,819	5,123
Abandonment Recommendations	981	424	404	69	61

Investigations Unit



LEGAL SECTION

Legal Section's primary mission is to collect delinquent accounts under the Tax Collector's jurisdiction when all other collection efforts have failed. In addition, Legal Section makes the appropriate response when a Tax Collector's lien is the subject of collateral litigation as in a bankruptcy case or a judicial foreclosure action. Legal Section also gives legal advice to the Tax Collector and his section supervisors on collection related matters.

Most delinquent accounts referred to Legal Section are tax deficiency assessments from the Business Tax Section. These cases often involve delinquent taxes owed by closely held corporations or partnerships and require thorough analysis of the legal interrelationships between the business entities and the individuals who own or control their fiscal affairs before a successful collection strategy can be developed. A working knowledge of corporate and partnership law, as well as bankruptcy law and procedure is essential to successful collection strategy.

The remainder of Legal Section's caseload comes from the Bureau of Delinquent Revenue (BDR) in the form of claims for hospitalization services rendered at San Francisco General Hospital and Laguna Honda Hospital.

An important part of Legal Section's representation of BDR requires resolution of issues involving medical reimbursement liens filed by BDR. These issues arise primarily in hospital patients' lawsuits against the third parties that allegedly caused the patients' injuries. Legal Section also handles liens in workers compensation proceedings instituted by hospital patients.

Although civil collection suits are a primary means of enforcing payment of delinquent accounts, Legal Section uses other civil creditor procedures when appropriate. These include pursuit of creditor claims in bankruptcy estates, decedent estates and conservatorship



estates; and other kinds of liens, including tax liens, and voluntary payment agreements negotiated with the debtor and recorded in San Francisco County.

Performance Objectives

As a separate operating section, Legal Section has its own performance objectives which were increased this fiscal year to reflect the addition of a 1460 Legal Secretary II position. For this fiscal year, the goal was to collect \$3 million in delinquent revenue and to file sixty (60) collection or lien defense pleadings, and obtain twenty-eight (28) judgments or consensual liens during the fiscal year.

Reporting categories have been expanded to include consensual liens which individual defendants have executed in favor of the Tax Collector and tax liens, which the section has recorded to secure the business debtor's payment obligations to the Tax Collector. These liens are the functional equivalent of judgment liens and should be included in this category of Legal Section's performance reports.

Various delays prevented the hiring of the new secretary until near the end of the fiscal year. Nevertheless, the existing five-person staff exceeded last year's collection goal by collecting \$2,520,749.

Litigation Activities

Legal Section successfully represented the Bureau of Delinquent Revenue in the California Court of Appeal and the Superior Court Probate Division on the case where Legal section obtained a court judgment after a jury trial during the previous year. This case is significant beyond its immediate outcome because it highlights the need for amendments to the City Health Code requiring payment of interest on hospital debts when the obligor is a fiduciary with an estate.

Legal Section also successfully represented the BDR Bankruptcy Unit in defending Business Tax creditor claims in a complicated bankruptcy case involving the bankruptcy of the general partner in a partnership, which owed substantial delinquent hotel and property taxes. This case was concluded by the bankruptcy court denying the debtor's objection to the City's tax claims and also rejecting the debtor's attempt to reduce the hotel tax claim by alleging over-assessment of property taxes.

In the course of Legal Section's defense practice in foreclosure cases commenced by lending institutions, a novel issue arose over the liability to pay delinquency penalties on the real estate tax bill when the foreclosing creditor is the Federal Deposit Insurance Corporation (FDIC), which succeeded to the lending bank's interest in the trust deed. The attorney repre-

senting FDIC contended that federal law exempted FDIC from paying delinquency penalties and redemption fees when it took over the lending bank's portfolio of secured trust deeds. The FDIC proceeded to foreclose against the property pledged by the defaulting borrower.

The Senior Trial Attorney in the Legal Section read the cases interpreting the statute and correctly analyzed that FDIC's exemption from tax penalties did exist but was not nearly so extensive as FDIC originally asserted. Legal Section wrote such a convincing and well-researched letter brief that the FDIC counsel paid the entire amount on the delinquent roll up to the date FDIC was formally appointed receiver and all delinquent taxes minus the penalties thereafter. The Attorney's letter brief will serve as a model response when this issue arises in the future.

Legal Advice

In addition to its collection and enforcement activities, Legal Section also gives legal advice on collection-related issues. In this capacity, Legal Section prepared a comprehensive memorandum on the applicable statutes of limitations pertaining to the last date various kinds of tax liens could be validly recorded. Legal Section attorneys are also working to resolve the legal issues affecting the validity of traditional BDR medical liens filed in a patient's third-party

lawsuit, when the patient was hospitalized pursuant to the many managed care plans which San Francisco General Hospital (SFGH) has negotiated. SFGH's existing contracts preclude BDR from filing a hospitalization cost recovery lien in any third party



action filed by a patient treated under one of these managed care contracts. Legal Section attorneys met with SFGH administrators and their assigned deputy city attorney and recommended that future contracts contain language specifically allowing BDR to file a lien in any third-party personal injury litigation commenced on behalf of the managed care patient.

Legal Section -- Statistical Activity

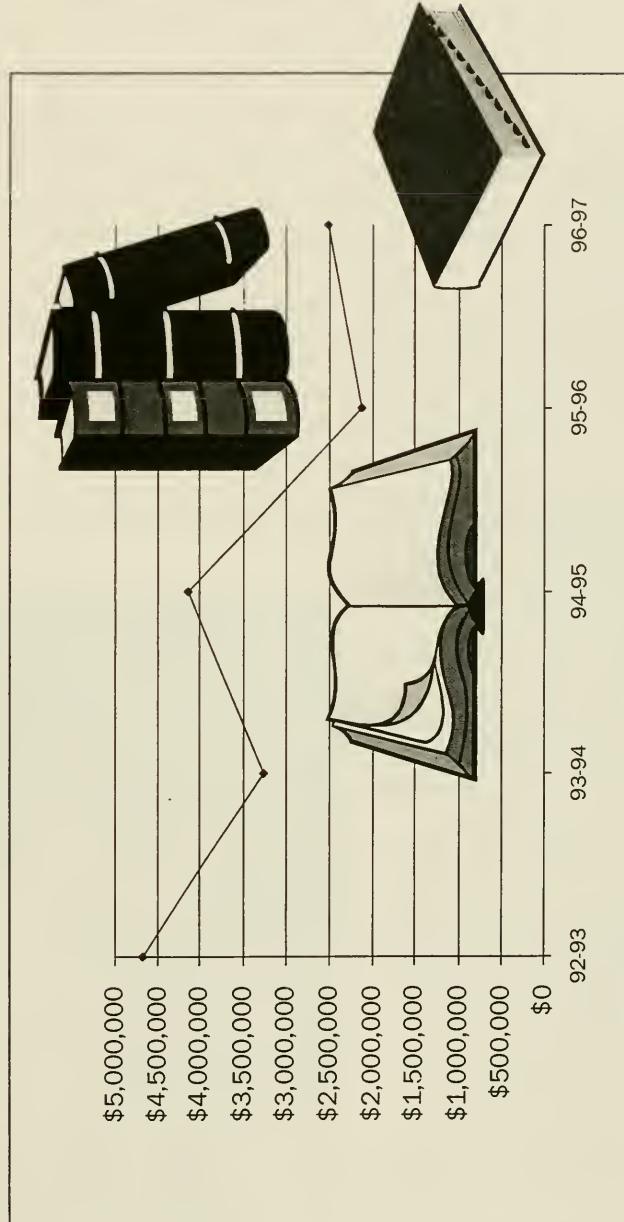
TYPE OF ACTIVITY	FY 92-93	FY 93-94	FY 94-95	FY 95-96	FY 96-97
Complaints Filed*	17	15	9	0	7
Abstracts Recorded **	16	14	7	3	9
TOTAL DOLLAR RECOVERY ***	\$4,675,097	\$3,266,499	\$4,128,117	\$2,116,817	\$2,520,749

* Includes answers filed in foreclosure cases as well as complaints.

** Includes consensual liens, tax liens, and judgments.

*** From all sources including but not limited to Abstracts of judgments, payment agreements and -0 filed complaints.

Legal Section



TAXPAYER ASSISTANCE/LICENSING

Taxpayer Assistance Unit

More than a year of planning and training culminated in the inauguration of the Taxpayer Assistance Unit in August 1996. A taskforce established early in the Department's restructuring program reported a need for improved service to taxpayers and made recommendations as to how this could be achieved. The members of the taskforce, all involved in customer service in their own operating sections, knew that taxpayers were often routed from one section to another as various parts of a complex problem were solved. This clearly contributed to customer dissatisfaction. The taskforce envisioned "one stop shopping" a centralized taxpayer assistance unit with taxpayer assistance officers trained in the complexities of each section of the Department to handle all but the most complex problems. A year later, the dream became reality.

Eleven employees emerged from a cross-training program to become the first Taxpayer Assistance Officers. Taxpayers have responded favorably to the quality of the information and service given by these representatives and have often taken the time to write management of their satisfaction.

Other employees of the Department appreciate the efforts of the Taxpayer Assistance staff. The net effect has been fewer phone calls and walk-in traffic to the various sections. This has enabled better use of Department resources as employees focus on more complex tax collection assignments. Over 16,200 taxpayers visited the Taxpayer Assistance unit in the final quarter of FY 96-97 for a multitude of reasons and successfully transacted their business. The Unit's telephone bank became operational in October of 1996 and had responded to over 33,000 telephone calls by June 30, 1997.



Quality Assurance and Training

In-service training to enhance the quality of taxpayer assistance is an on going effort. A sophisticated monitoring system is in place which enables unit managers to observe the volume of telephone traffic from moment to moment. A standard of 20 seconds has been set for a taxpayer assistance officer to come on line and assist the taxpayer. When managers observe that calls are waiting for a longer period of time, additional taxpayer assistance officers are shifted into the phone bank to handle the larger call volume. The most recent 128 calls are sampled to determine whether answering criteria are being met.

Taxpayers are encouraged to fill out a quality assurance questionnaire after they have been served so that management can identify ways to improve or enhance service. Some sample comments have been:

- ❖ "...most extraordinary service by city employees."
- ❖ "...polite, impressed with smooth operation..."
- ❖ "...real asset to the department greatly appreciate this kind of service."
- ❖ "...Understood my need and assisted me in getting the form filled expeditiously."
- ❖ "...Loved the experience..."

This unit will continue to focus on the goal of improved accuracy of information and to provide it to taxpayers in a pleasant and timely fashion. The members of the unit will continue to develop and acquire increased expertise in hands-on utilization of the various computer applications used in each of the other sections and will continue networking with other sections, other City departments, and other state and federal agencies.

Licensing Unit

The Licensing unit is the central point for the collection of fees mandated by Part III of the San Francisco Municipal Code. The unit collects fees providing for the costs of inspections and regulation for nearly 150 different types of licenses and permits under five regulatory departments. These departments are:

- ❖ Department of Public Works
- ❖ Department of Public Health
- ❖ Fire Department
- ❖ Police Department
- ❖ Department of Animal Care and Control.



The unit collected \$7,930,745 in revenues for FY 96-97. The revenues were derived from processing 44,000 licenses and permits. Nearly 5,000 identification cards, badges and plates for taxicab drivers were issued. Projections for revenues for the Department of Public Works, Fire Department and Police Department were exceeded by 5%. The unit worked very closely with the Police Department which escalated enforcement of city codes and brought into compliance business owners who had failed to apply or renew their permits.

Rather than rely on the efforts of the City Department of Building Inspections to uncover delinquencies, BDR's Investigations unit aggressively pursued apartment house and hotel owners who were delinquent with their licenses. As a result of this vigorous effort, \$161,000 in additional

revenues was collected from 451 apartment house owners and 250 new owners were identified, as well.

During the third quarter of the fiscal year, the Department of Public Health added thirty new business classes and created a tiered fee structure for restaurants and food marketing businesses. The first in four years, the new fees are based on increased costs to DPH. Late introduction of the fees caused a delay in the mailing of renewal statements. While this created an apparent shortfall of 12% in the revenue estimates of \$3,750,000, the remaining \$250,000 will be shifted into the first quarter of the new fiscal year. The shortfall will be recovered at that time when all statements have been mailed and programming problems have been resolved.

Rent Stabilization and Arbitration Fee

The Rent Stabilization and Arbitration Fee, previously collected by the Licensing unit, is now a special assessment on the Secured Property Tax Roll, a collection procedure which is more cost effective and time efficient. Licensing unit has completed phasing out their responsibility for collection of the fee and transferred it entirely to Property Tax section. The fee was established under Chapter 37A of the Administrative Code in 1989. The fee is \$ 10.00 each for approximately 210,000 residential units in San Francisco.

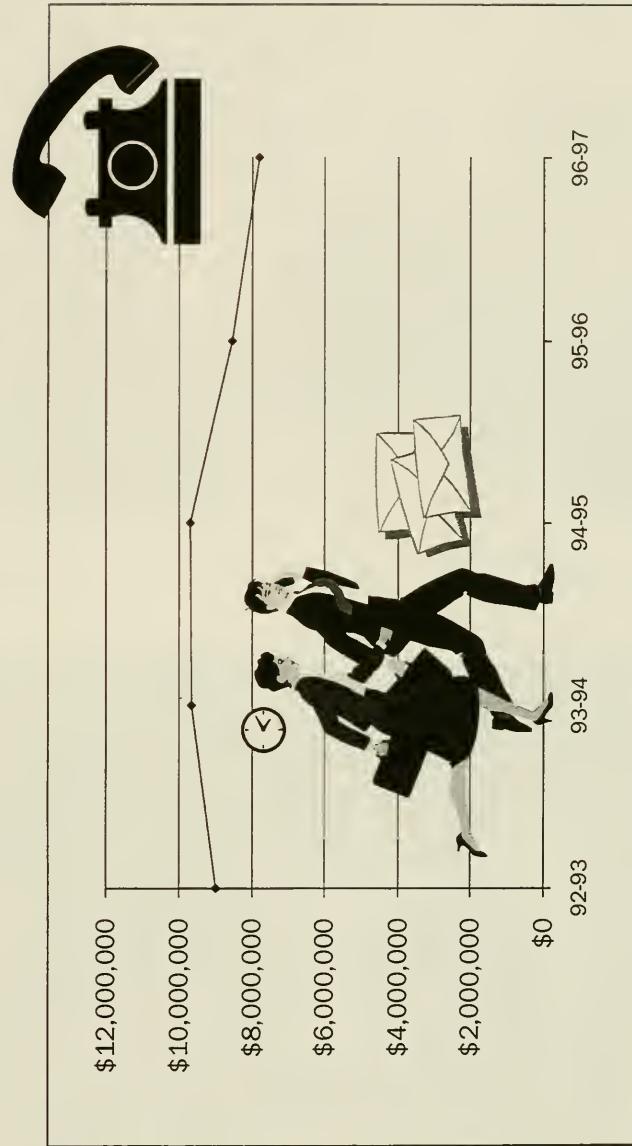
Dog Licenses

Dog licenses are now on-line! The Chameleon System links with the Department of Animal Care and Control and has the capability of providing around-the-clock information. The License unit is looking ahead to the final phase of automation, which will generate receipts and reports by the completion of the next fiscal year. Information and service to dog owners will be greatly enhanced and more efficient. Fees were increased, effective in FY 96-97, to fund more stringent enforcement of the City's dog leash law. Dog owners are offered a discount for purchasing a multi year license. Senior citizens continue to benefit from a 50% discount. Students from the Mayor's Summer Youth Program assisted with the processing of these and a multitude of other licenses.

License Section -- Statistical Activity

TYPE OF COLLECTION	FY 92-93		FY 93-94		FY 94-95		FY 95-96		FY 96-97	
	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed
Public Works	\$3,116,810	19,037	\$3,102,753	19,234	\$3,126,366	19,412	\$3,143,228	19,511	\$3,160,046	19,775
Police	\$696,076	9,384	775,306	8,844	780,808	8,992	753,011	8,911	815,415	9,060
Public Health	\$3,370,537	7,324	3,579,151	8,174	3,576,671	8,238	3,737,257	8,364	3,300,367	7,496
Fire Department Licenses	\$416,270	2,146	414,848	2,131	450,908	2,392	469,691	2,513	460,067	2,542
Dog Licenses	\$56,700	7,065	71,383	7,154	41,726	3,841	46,747	4,141	53,260	4,476
Subtotal	7,656,393	7,943,441	45,537	7,976,479	42,875	8,149,934	43,440	7,789,155	43,349	
Rent Stabilization and Arbitration***	\$1,325,704	40,174	1,612,320	38,761	1,626,472	45,329	253,632	9729	4,714	49
Dept. Public Works Surcharge			89,796	--	89,672	--	134,947	--	136,876	--
TOTALS	\$8,982,097	85,130	9,645,557	84,298	9,692,623	88,204	8,538,513	43,440	7,930,745	43,398

Taxpayer Assistance/License





ACCOUNTING SECTION

A new centralized accounting section is being developed to address such tasks as reconciliation, batching, balancing, and correct posting of all payments for property taxes, business taxes and licenses. It is also responsible for the reconciliation of all credits applied to the various business tax accounts. The section will be established during FY 97-98. This is the result of recommendations from a task force initiated by the Tax Collector as part of his restructuring plan. The goal of this reallocation of resources is to increase accounting efficiency and to provide better service to taxpayers.

The Reconciliation Unit will consist of an Accounting Supervisor, four accountants, and one senior account clerk. The reconciliation workload will consist of approximately:

Property Tax Payments	366,000	\$ 617,277,747
Business Tax Payments	146,000	423,114,544
License Payments	44,000	7,930,754
Redemption Payments	3,300	15,733,686
Installment Payments – Property	1,400	2,635,555
Stadium Tax	23	2,828,382
Roofer Tax	<u>84</u>	<u>26,000</u>
 Total	560,807	\$ 1,069,546,668

Objectives for FY 97-98:

- * Reconcile December 10 and April 10 property tax payments within 45 days.
- * Conduct and complete training sessions for all staff within three months.
- * Provide flexibility and efficiency during peak and low periods of the various tax and license collection seasons.
- * Increase efficiency of the unit in order to serve the public effectively.
- * To post and reconcile within sixty days all secured payments received on or before December 10 and April 10.
- * To post and reconcile within forty-five days all unsecured payments received on or before August 31.



❖ Acknowledgments ❖

Grateful thanks and appreciation go to the following individuals, including section managers, who have contributed time, information and effort to the preparation of this report:

Tax Collector	Richard A. Sullivan
Chief Assistant Treasurer	Minda Ballete
Deputy Tax Administrator	Willie H. Ross
Chief Investment Officer	Daniel P. Daly
Special Assistant to the Tax Collector	William Quong
Legal Section	Robert Fletcher
Administration Section	Gail D. Hemenway
Taxpayer Assistance/Licensing Section	Anita Jin
Cashier Section	Sonia Martinez
Property Tax Section	Francis Nguyen
Bureau of Delinquent Revenue and Investigations Section	Florence Mar
Business Tax Section	Patrick Sha
Editor	Gail D. Hemenway

Mary I. Callanan,
Treasurer



Office of the Treasurer & Tax Collector

City and County of San Francisco

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Annual Report
as of June 30, 1998
for Fiscal Year 1997-1998

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Annual Report of the Office of the Treasurer & Tax Collector

City and County of San Francisco

As of June 30, 1998 for FY 97-98

The Treasurer is the banker for the City and County of San Francisco. In this role, which was created by the City charter in 1850, she manages the City's portfolio of pooled funds, including the proceeds from the City's general obligation municipal bonds, of approximately \$3 billion. The Treasurer also supervises the functions of the Tax Collector's Office, and the collection of San Francisco property and business taxes and fees of over \$1.4 billion annually.

The Treasurer works closely with all departments to ensure that funds are received and deposited as quickly as possible to provide interest earnings for the benefit of San Francisco's citizens. The Treasurer also monitors the City's bank accounts on a daily basis so that sufficient cash is available to cover all City checks. This department receives over \$4.3 billion and disburses over \$6 billion in City funds annually.

Mary I. Callanan held the position of Treasurer for 17 years before her retirement in January 1998. Susan Leal, formerly a member of the San Francisco Board of Supervisors, was elected to the position in November 1997 and took office in January.

This report covers the fiscal year ending June 30, 1998, and contains comparative statistics and information for the past five years of investment activities and tax collection revenues.



Treasurer & Tax Collector

MAJOR INITIATIVES – FY 97-98

1. Review of the City's banking policies to consolidate or eliminate unnecessary banking fees and to transfer unauthorized or excessive amounts into the City's investment portfolio or the General Fund. By reducing the number of bank accounts, City investments can be maximized by eliminating redundant fees and overdrafts. Reduction of the number of active accounts will also improve oversight of cash management City-wide.
2. Development of a City Payment Center to realize the shared vision of the Mayor and Treasurer to create a "one stop shop" in City Hall for the receipt, where appropriate, of City taxes and fees. The City Payment center, located at City Hall, will provide added convenience by allowing the taxpayer to pay for various City services in one location.
3. Application of a social and environmental screen to the City's investment portfolio and other business concerns identified by the Treasurer. A socially responsible review of investments (within the requirements of liquidity, security and high yield) will ensure that investments made with City dollars are consistent with our social values.
4. Merging of the Tax Collection Division's Investigations Unit with the Bureau of Delinquent Revenue to better coordinate their activities. This combined unit will result in reduced redundancy and increased fairness and efficiency in the collection of taxes.
5. Initiate merger of the Treasury Division Cashier Unit with the Cashier section of the Tax Collection Division. This merger eliminates many duplicative efforts, will increase the level of service to customers during peak taxpaying seasons and will create a more flexible workforce, able to respond to multiple customer needs.
6. Establish a City credit card for purchasing goods and services in collaboration with the Controller's Office and the Director of Purchasing. Standardization of a credit card used by City vendors will provide greater oversight of City purchases.



Budgeted Expenditures By Section

Total budgeted expenditures for the Office of the Treasurer & Tax Collector for FY 1997-1998, by section, were as follows:

Program	Budget	Staff	Revenue Sources
Administration	\$ 1,533,385	20	Interest Revenues & General Fund
Treasury	1,169,272	19	Interest and Miscellaneous Revenues
Investment	243,866	6	Interest Revenues & Work Order Funds
Accounting Services	429,170	7	General Fund
Business Tax	4,031,562	43	General Fund
Property Tax/Licensing	1,332,883	12	General and Non-general Fund Revenues
Taxpayer Assistance	800,524	10	General and Non-general Fund Revenues
Legal Services	507,277	6	General Fund
Delinquent Revenue /Investigations	2,589,216	41	General Fund and Work Order Funds
Total for FY 97-98	\$ 12,637,155	164	

Susan Leal Treasurer of San Francisco

On November 4, 1997, Susan Leal secured 57.7 percent of the vote to become Treasurer of the City and County of San Francisco. In this position, Ms. Leal serves as the City's banker and investment officer, and also manages the Tax Collector's Office. Her four priorities:

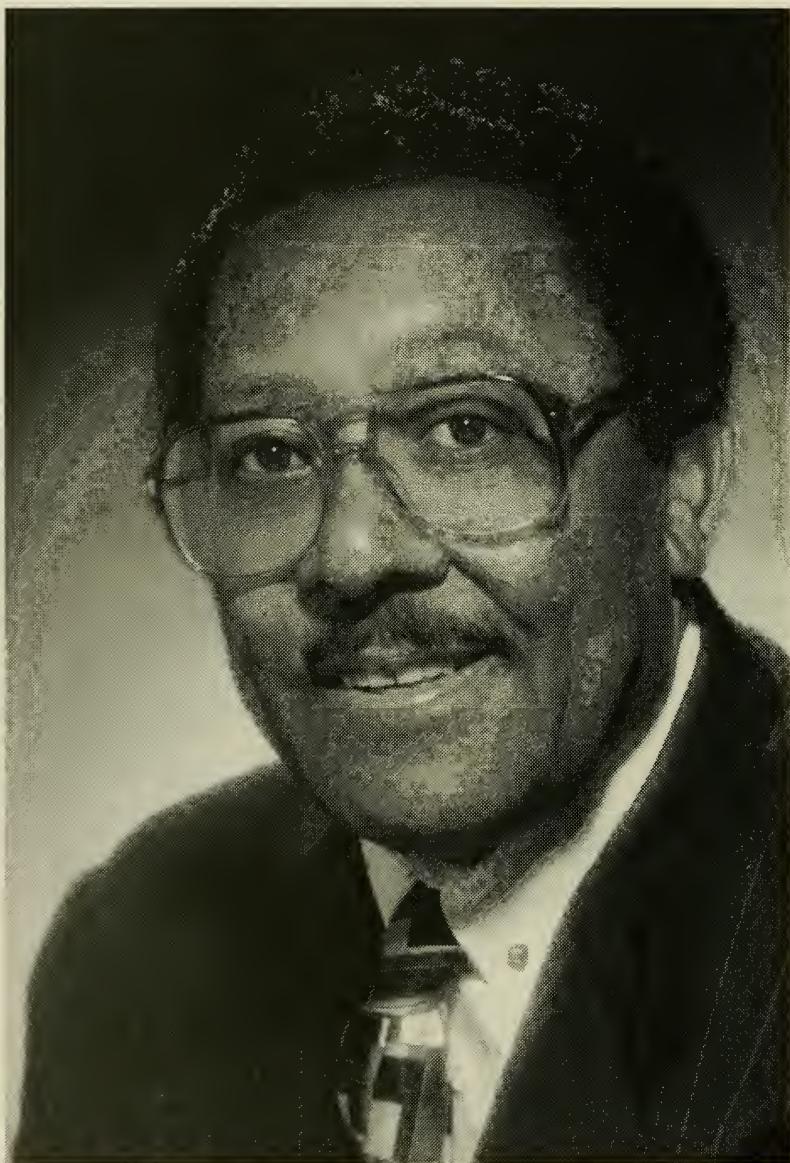
1. The best return on investments with the lowest risk.
2. Investments consistent with San Francisco's socially responsible values.
3. A modernized, more consumer-friendly Treasurer & Tax Collector's Office.
4. Fair and efficient collection of taxes and fees.

Susan Leal first joined City government in June 1993 when she was appointed to the Board of Supervisors. The following year she won a four-year term, receiving over 100,000 votes in a citywide election. While serving on the eleven-member Board, she chaired the Finance Committee where she was responsible for preparing and balancing the City's \$3.4 billion budget.

Prior to elected office, Ms. Leal served as Counsel to the U.S. House Energy and Commerce Committee's Subcommittee on Oversight and Investigations. In this capacity she directed numerous drug safety and consumer protection investigations of the Food and Drug Administration. She also worked closely with then-Congressman Al Gore to uncover fraud and waste in public and private health care. In 1982 she returned to California as Senior Consultant to the State Assembly's Committee on Ways and Means, where she drafted the Assembly's health budget. In 1984 Ms. Leal became vice president of a nationally recognized company that assists corporations and unions throughout the U.S. in health care management.

A San Francisco native, Ms. Leal graduated from Presentation High School in 1967 and the University of California at Berkeley in 1971, where she earned an Economics degree. She received her law degree from U.C. Berkeley's Boalt Hall in 1975.





Richard A. Sullivan

Tax Collector of San Francisco

Richard A. Sullivan, who has lived in California for over 50 years, was appointed Tax Collector by then Treasurer Mary I. Callanan on July 1, 1994. Prior to that, he was the Deputy Tax Administrator for 19 years and has held numerous accounting and auditing positions within the City and County of San Francisco.

He began his 40 years of City service as a Junior Clerk in the Controller's Office. He holds a B.A. in Accounting from San Francisco State University and a Masters in Public Administration from Golden Gate University.

The Tax Collection Division receives and deposits all monies for taxes, licenses, and other fees due the City and County of San Francisco. It also performs the collection of delinquent accounts for other city departments.

While Deputy Tax Administrator, Mr. Sullivan initiated a Total Quality Management program. He established a number of task forces to examine particular aspects of the Tax Collection operation. One task force recommended centralized taxpayer information and assistance, with generalists offering "one stop shopping". Another focused on centralizing accounting services. The Budget Analyst's management audit report commended and endorsed these recommendations. The Taxpayer Assistance Section was inaugurated in 1996, and Centralized Accounting was established this year.

Mr. Sullivan continues his vigorous campaign to restructure the Tax Collection Division in order to establish a more "user friendly" atmosphere for San Francisco's taxpayers. Over the past three years, he has introduced a host of positive changes in order to produce the desired result of doing more with less, with no commensurate change in staffing.

His favorite quotation is this:

Nothing endures but change.

Treasury Division

The Treasury Division is responsible for collecting, protecting and maximizing returns on all funds belonging to the citizens of San Francisco. The Treasury Division accomplishes these goals by:

- ★ Accepting payment from San Francisco taxpayers for all San Francisco property and business taxes and license fees
- ★ Accounting and reconciling City monies deposited by City departments
- ★ Accounting and reconciling payments received from taxpayers
- ★ Investing monies collected using sound and prudent investment policies
- ★ Monitoring closely (in coordination with City departments) all bank accounts that hold City monies
- ★ Redeeming Controller's checks
- ★ Disbursing funds for legal obligations
- ★ Accepting various assets (e.g. securities, deposits, bail bonds, etc.) from City departments and holding them in a special custody safe
- ★ Maintaining regular contact with the various departments concerning current activity and status of assets
- ★ Working with the Controller, the City Attorney, financial advisors and other City departments in connection with the issuance of various bond issues
- ★ Monitoring absent heir deposits and payments
- ★ Processing and reconciling deposits and payments authorized under the 1934 Street Improvement Ordinance
- ★ Performing trustee duties in connection with deferred payment settlement trust funds resulting from large claims against the City.

Treasurer's Cashier Section

The primary objective of the Cashier Section is to process and account for the receipt of collections, departmental deposits and disbursements made through the Cashier by the close of the same business day. These functions are completed in compliance with audit standards on a quarterly basis, with internal controls being achieved in conjunction with the Department's Accounting Section.

Since 1994, the Treasury Division has been actively revising and streamlining collection, deposit and check reconciliation processes to make them more effective and efficient. The Treasury Division has accomplished these goals by investing extensive efforts and resources in automation. Other changes have included a major restructuring of banking services, discontinuation of check-cashing activities at the Treasury Division window, implementation of the on-line Financial Accounting and Management Information System (FAMIS) for cash and treasury management and the establishment of a direct deposit system option for employee's net pay. These changes have resulted in cost savings and additional interest earnings of approximately \$400,000 per year.

Detailed responsibilities of the Cashier Section include:

- Receipt of all City and County monies and checks, through direct bank deposits, checks, electronic fund transfers, federal reserve wires, lockbox operations, credit card transactions, bank adjustments and transactions at the Treasurer's receiving window
- Payment of all Controller warrants through the Department's Clearinghouse Bank
- Reconciliation of the above receipts and disbursements with total cash, on a daily basis
- Reconciliation on a daily and monthly basis of the Treasurer's checking accounts
- Daily input to and detailed reconciliation of FAMIS reports.

Tax collection receipts, and other City department receipts, are received for processing through the NCR remittance processing system for direct bank remittance. These procedures provide early deposit of receipts plus reduced bank charges.

All checks received through the Treasurer's receiving window are encoded and microfilmed before they are deposited in the City's bank accounts. Internal controls are achieved by division of duties among the Department's receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks and accountants.

In 1997-98, approximately 1,751,000 checks were processed - a decrease of 4.6 % from last year, which was due primarily to increases in direct deposits for the City's payroll and retirement pension systems as well as increases in electronic fund transfer payments. Total disbursement monies, however, increased 9.0 %. Total receipts amounted to \$ 4.3 billion, while disbursements totaled \$ 6.0 billion, resulting in a June 30, 1998 cash and equity balance of \$ 3,001,712,434.

In addition to the aforementioned procedures, the City now accepts credit cards for payment of property taxes, traffic fines, towing and storage fees, misdemeanor bails, library fees and Bureau of Vital Statistics fees including fees for birth and death registration. This enhanced service has resulted in the reduction of bad checks, acceleration of payments and immediate availability of funds for investment.

Treasury Cashiering Statistics

Fiscal Year 97/98

Encoded Checks (prior to deposit)	\$ 136,755,181
State Checks (deposited and allocated)	191,416,631
Departmental Deposits (through the Treasurer)	1,318,824,219
Wires/Electronic Fund Transfers (EFT)	2,704,645,289
Port Lockbox	19,401,030
Stop Payments	73,506,255
Credit Card Wires	49,033
Non-Sufficient Funds (NSF)/Receipt Adjustments	5,315,706

Investment Section

The chief goal of the Investment Section is to administer and control the investment of all monies in the Treasurer's custody that are not required for payment of current obligations. The Section's purpose is to maximize interest income while preserving the liquidity and safety of the principal. The Investment Section has consistently demonstrated prudent portfolio management with excellent results. The portfolio performance for FY 97-98 is listed below:

<u>Portfolio Performance</u>	<u>Pooled Funds</u>	<u>All Funds</u>
Total Interest Received	\$ 81,213,277	\$ 170,108,603
Total Net Earnings	816,648,486	167,113,386
Average Daily Portfolio Balance	1,289,343,847	2,785,041,760
 <u>Earned Interest Yield</u>	 6.333 %	 6.000 %
Book Value	1,476,866,496	2,920,815,864
Market Value (as of 6/30/98)*	1,494,212,588	2,955,932,902
 <u>Yield Comparisons</u>		 <u>FY 97-98</u>
Average 90-day Treasury Bills		5.307 %
San Diego County (Pooled)		3.830 %
Los Angeles County (Pooled)		5.740 %
State Local Agency Fund (Pooled)		5.690 %

*plus accrued interest of \$14,432,560.

Direct wire lines maintained by investment houses enable the Treasury's Chief Investment Officer to make investments on behalf of the City through rapid competitive bidding (reflected in the schedule of Portfolio Statistics at end of Treasury Division). As an example, the Telerate Matrix and Bloomberg Systems provide instantaneous live electronic monitoring of the domestic fixed income markets.

The Investment Section subscribes to the following computerized financial services:

- Moneymax
- Telerate Matrix System
- Dow Jones Capital Markets
- Technical Data
- Money Market Observer
- Ramirez Capital
- Thompson Financial
- Bloomberg Systems
- Lehman Brothers
- R.H. Wrightson
- Technical Dimension
- Various institutional data banks

Cash Management:

The Cash Managers assist the Chief Investment Officer in administering the cash management and investment policies. The Cash Managers' primary responsibilities include:

- ★ Initiating, analyzing and modifying cash flow systems so that the Chief Investment Officer can develop procedures in order to maximize investment opportunities and earnings.
- ★ Advising and making recommendations regarding cash management procedures and policies, bank relationships, bond interest and redemption wires and the bond arbitrage rebate program.
- ★ Ensuring compliance with regulations requiring that all revenues received by City departments are deposited and receipted in a timely manner
- ★ Analyzing cash flow throughout the City and maintaining a cash flow system
- ★ Initiating and modifying cash flow procedures
- ★ Establishing and maintaining banking relationships
- ★ Advising and making recommendations to City department personnel regarding cash management procedures and policies
- ★ Assisting the Chief Investment Officer in administering cash management and investment policies

- ★ Managing the bond and coupon redemption program
- ★ Preparing and issuing Requests For Proposal (RFPs) for various financial services as required by individual departments
- ★ Co-administering the bond arbitrage rebate program with the Controller to ensure accurate records are maintained, proper procedures are followed and timely payments are made to the Federal Government.

The Investment Section also monitors and invests all City funds that flow through the remittance processing system by electronic access. All funds are transferred by Fed-wire to the City's primary bank accounts for disbursement by the Controller or investment by the Treasurer.

City Bank Account Review:

In March 1998, Treasurer Leal initiated a review of the City's checking accounts with various banking institutions. The two primary objectives of the review were:

- ★ To determine whether the Treasurer had been receiving monthly statements directly from banks for revolving fund accounts of City departments, as provided by recently enacted Article XV of the City's Administrative Code.
- ★ To identify other bank accounts with various financial institutions that were opened by City departments.

Specifically, the Cash Managers determined and identified the following information for each account:

- ★ Purpose for opening the account;
- ★ Authorization for opening the account;
- ★ Persons responsible for monitoring the account;
- ★ Account service charges paid to the relevant bank;
- ★ Written notice, if any, from the City department to the Treasurer of the account opening and the amounts in each account.

The review identified a total of 646 City bank accounts consisting of 528 checking accounts, 113 trust accounts, and 5 petty cash accounts. The review focused on 144 accounts consisting of revolving funds and regular demand deposit accounts. To date the review has:

- ★ Returned to the City \$187,609 from dormant and unauthorized accounts.

- ★ Resulted in the closure of 10 of the 19 accounts recommended for closure. Closure of the remaining accounts has been initiated.
- ★ Increased by approximately \$30,000 annual potential interest accruals from banks by converting City non-wholesale/non-corporate accounts into corporate accounts.

Bond and Coupon Redemption:

The Treasurer is responsible for the payment of the City's bearer general obligation bonds, principal and interest. Currently, there are seven bearer bonds still outstanding with maturities running through the year 2005. Funds for payment of principal and interest are wired to San Francisco's paying agent (U.S. Bank) for payment of redeemed bonds and coupons. During FY 97-98, the Treasurer paid \$696,881 in bearer interest and \$6,085,000 in bearer principal.

Additionally, the Treasurer is the paying agent for the City's various book entry bond issues. These issues are distinguished from bearer bonds in that book entry bonds do not have physical bonds or coupons. The City began the practice of issuing book entry bonds, which provide for more efficient administration of payments, in 1986 and continues this practice through the present day. Payment of book entry principal and interest are wired on the maturity date of the bond to the Depository Trust Company (New York City) for distribution to the bond holders. During FY 97-98, the Treasurer paid \$63,522,768 in book entry bond interest and \$143,317,650 in book entry bond principal. The majority of these payments were for payment of final interest and principal plus premium as a number of bonds were refunded prior to final maturity.

During FY 97-98, \$ 67,155,000 in general obligation bonds and \$ 449,085,000 in general obligation refunding bonds were issued.

General Obligation Bonds:

During FY 97-98, the following general obligation bonds reached maturity:

\$ 20,000,000	Affordable Housing (Taxable) General Obligation Bonds	Series 1998 A
\$ 25,105,000	Golden Gate Park Improvements (1992)	Series 1997 A
\$ 22,050,000	School District Facilities Improvements (1994)	Series 1997 B
\$ 449,085,000	General Obligation Refunding Bonds	Series 1997-1

These bonds were fully registered in the name of Cede & Co. as nominee of the Depository Trust Company and are available to the ultimate purchasers only under the book entry system.

The Investment Section is also responsible for the calculation of arbitrage rebate liability for bond revenue proceeds. This responsibility is shared with the City Controller's Office. The calculation of the bond arbitrage is required pursuant to a provision of the Tax Reform Act of 1986 which strictly limits arbitrage profits. This provision requires the calculation to be performed five years after the date the bond was issued and every five years thereafter until bond maturity. In practice, however, the Investment Section performs the arbitrage calculation every fiscal year as of June 30 (as well as the five-year calculation) in order to determine the year's contingent liability for all tax-exempt general obligation bonds. Currently, calculations are performed on approximately 36 bond issues.

To obtain arbitrage rebate data to perform the arbitrage calculation, the Investment Section relies on various reports prepared and produced by the Controller's Office and internal reports of the Treasurer's Office. Once the calculations have been performed, the calculation workpapers are forwarded to the Controller's Office for review and verification of any liability due and payment of any liability on the fifth year anniversary date.

Treasury Accounting Unit

The Accounting Unit of the Treasury Division provides accounting and support services to the Treasury Division and, to some extent, the Tax Collection Cashier Section. The two primary goals of the Accounting Unit are:

- ★ To provide adequate internal control systems to safeguard the City's assets (specifically in the areas of collection, handling, disbursing and investing cash and securities).
- ★ To assist the Treasurer in improving the Department's efficiency and productivity.

In order to provide and maintain adequate internal control systems, the Treasury Accounting Unit does daily and monthly reconciliation of cash and bank accounts and also records, reviews and approves cash transactions to FAMIS. The unit closely monitors collections, deposits, safes, investments and other related financial activities that involve cash and securities. In addition, division of duties among the separate cashiers and accountants has resulted in improved internal controls.

In order to increase productivity and improve efficiency, the Treasury Accounting Unit has been given responsibilities including input to budget preparation, expenditure tracking, appropriation payment requests, purchasing, statistical reports, data processing services and equipment and facilities maintenance of the Treasury Division. Moreover, the unit provides technical support and assistance to staff members relating to their computer and accounting needs and distributes supplies and other necessary tools. Finally, under various provisions of City and department procedures, City codes, and state and local court orders, the Treasury Accounting Unit is also responsible for the administration of receipts, deposits and remittance

of absent heirs funds, coroner's unclaimed funds, street improvement bonds and deferred payment settlement claims. The Treasury Accounting Unit also handles safekeeping functions for bequest and lease deposit securities to the City.

As the City's banker, the Treasurer processes approximately \$5.4 billion in receipts. The bulk of these revenues and receipts are processed in the Treasurer's three main depository accounts. In addition, there are several depository accounts used by the departments primarily for lock-box deposits and credit card receipts. The Treasury Accounting Unit is responsible for maintaining on-line FAMIS ledger accounts and reconciling balances to their respective bank account balances. As of June 30, 1998, there were more than thirty depository accounts, eleven Controller's checking accounts and three major investment general ledger accounts in FAMIS Treasurer's Group of Accounts. Funds are swept daily to and from a bank concentration account for pooled and non-pooled investments. Records of daily sweeps and investment transactions are monitored, reviewed, reconciled and approved by the Treasury Accounting Unit.

Of the thirty (30) depository accounts, two main depository accounts are electronically transmitted, automatically reconciled and reviewed. The other twenty-eight (28) accounts are reconciled individually by the Treasury Accounting Unit. In FY 97-98, approximately 36,000 cash transaction lines posted to the depository accounts were separately matched and reconciled to the same number of entries on the bank statements.

Treasurer's Group of Accounts FY 97-98
Balances as of June 30, 1998

Treasurer's Cash on Hand	\$ 6,780
Cash in Bank	<u>80,889,790</u>
Total Cash	\$ 80,896,570
Non-Pooled Investments (GL103)	\$ 277,403,592
Non-Pooled Investments (GL104)	1,166,545,776
Pooled Investments	<u>1,476,866,496</u>
Total Investments (FAMIS Book Value)	2,920,815,864
Bequests Securities Held for Safekeeping	463,750
Lease Deposit Securities Held for Safekeeping	<u>3,227,943</u>
Total Assets Held for Safekeeping	<u>3,691,693</u>
GRAND TOTAL	<u>\$ 3,005,404,127</u>

The Controller's Internal Audits Section routinely examines the activities of the Treasurer's Office including quarterly verification of cash on hand. Additionally, an outside major accounting firm (KPMG Peat Marwick LLP) audits the Treasury Division's activities in connection with the publication of the Controller's Annual Financial Statements.

Portfolio Statistics

	FY 93-94	FY 94-95	FY 95-96	FY 96-97	FY 97-98
ALL FUNDS					
Interest Received	\$ 105,985,586	\$ 119,815,140	\$ 124,027,897	\$ 151,260,637	\$ 170,108,603
Total Interest Earned	109,091,268	124,645,050	132,882,435	149,223,354	167,113,386
Average Daily Balance	2,063,517,964	2,014,978,043	2,162,518,267	2,554,088,399	2,785,041,760
Earned Interest Yield	5.287 %	6.186 %	6.128%	5.843 %	6.000 %
POOLED FUNDS					
Interest Received	70,094,203	80,238,672	79,265,726	78,317,276	81,213,277
Total Interest Earned	71,308,709	86,240,445	80,011,024	71,745,315	81,648,486
Average Daily Balance	1,194,904,865	1,333,940,164	1,251,335,288	1,163,403,612	1,289,343,847
Earned Interest Yield	5.968 %	6.465 %	6.377 %	6.167 %	6.333 %

Tax Collection Division

The responsibility of the Tax Collection Division is to maximize revenues in order to finance City services and functions. It receives and deposits all monies for taxes, licenses and other fees and collects delinquent accounts for City departments.

The seven operating sections are Administration, Business Taxes and Audits, Cashier, Bureau of Delinquent Revenue/Investigations, Legal, Property Tax (Real Estate), and Taxpayer Assistance. Collectively, their basic goals are to:

- ★ Provide centralized administrative services for the Department and support of divisional program activities
- ★ Provide centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco
- ★ Maintain a post-audit program to determine the accuracy of taxpayer reports, and levy additional taxes if the audit indicates an underpayment
- ★ Administer and collect such taxes as the Business Tax, the Payroll Expense Tax, Parking Tax, Hotel Tax, Utility Tax, Stadium Admission Tax, and Transient Occupancy Tax
- ★ Provide centralized collection and resolution of delinquent accounts in excess of 90 days for all City and County of San Francisco departments except those under the jurisdiction of the Public Service Enterprises
- ★ Collect fees for regulatory licenses and permits that are required by the Municipal Code and collect dog license fees.

Administration Section

This section provides centralized administrative support services to the Department. Mailings of various tax statements are coordinated, and Purchasing and Inventory activities are performed. In the latter case, over 130 different forms, statements, envelope types, and informational brochures are tracked and reordered as necessary.

Expenditures are tracked on the city-wide FAMIS system. Spending patterns and historical data are analyzed and recommendations made to senior management. The annual budget request is developed. The annual report is developed, printed and distributed. Numerous ad-hoc reports are prepared for the Mayor and Board of Supervisors. Management information

systems, telecommunications and data processing activities are maintained. Training is scheduled and/or conducted as required. Equipment is specified and ordered. Facilities maintenance is initiated. This year, preparation was begun for the return to City Hall in January, 1999.

Payroll is prepared biweekly. Hiring campaigns are conducted. Disciplinary matters are addressed. Workers Compensation cases are monitored. Reasonable accommodations are arranged to comply with the Americans with Disabilities Act. Affirmative Action compliance is monitored. All paperwork is prepared and processed for hiring and for release from employment.

General office administration includes performance of myriad other activities and special projects. A few examples include participation in the Mayor's YouthWorks program in which four high school students are mentored and introduced to the world of work. The City-wide Employee Blood Drive, United States Savings Bonds Campaign and the Combined Charities Campaign are also conducted.

Management Information Systems

The Department maintains a state of the art, PC-based LAN system for automation and telecommunication services. All staff are trained in the use of the new software and in increased communications capability through the LAN system. The City's End User Training Program provided classes in Microsoft Word, Microsoft Excel for spreadsheeting, Introductory and Intermediate Paradox and Access for database needs, and PowerPoint for presentations. The Department's upgrading to Windows 97 made such training extremely relevant for those who were trained in other software packages.

Employees in the Bureau of Delinquent Revenue receive on-going training in CUBS applications, an automated collections program. Taxpayer Assistance staff receive on-going training in the intricacies of Business Tax, Property Tax, Licensing, and Collections software and systems.

Contracts have been developed for credit card payment of current year secured property taxes over the IVR system, and for the installation and use of CD-ROMs in the Property Tax section. MIS began the replacement and full integration of the Cashiering and Remittance Processing system, which will be completed when City Hall reopens (January 1999).

Highlights of Recent Achievements in Automation

Date	Event	Benefit/Impact
1994	Migration to a PC-based LAN was 65% complete by year-end. New users were fully trained in Microsoft Word and Excel.	Enhanced ability of users to produce reports and financial documents including annual budget request in a timely and meaningful fashion.
1995	Development stage of Columbia Ultimate Business System (CUBS), a collection system, nears completion. Staff training begins.	Increased ability to pursue delinquent debtors through centralized information on tax indebtedness. Enabled automated phone dialing. Managers better able to monitor work performance of collection officers.
1996	CUBS shakedown phase begun. CUBS becomes fully operational.	Enhanced performance by Collection Officers attributable in part to use of CUBS. Managers were enabled to give guidance to collectors on how to work more efficiently.
1997	Upgrade begun to Pentium based CPU's with more RAM and additional LAN capacity.	Improved productivity as employees were trained in Windows95 and Office97 and began to perform even more efficiently.

Tax Collector's Cashier Section

The Cashier Section receives and accounts for all payments of taxes, licenses, and other fees, whether made in cash or by check, by credit card or electronic fund transfer (EFT), and over the counter or by mail. The section maintains internal control of all payments through a number identification data system, batch control data, and by microfilming the checks connected with each payment. Daily deposit information is entered directly into the City and County's computerized FAMIS accounting system, enabling greater efficiency in reporting current data.

All mail received by the Tax Collector's Office is processed by this section. Checks without proper supporting documents, or which need verification, undergo standard check control processing to ensure that all payments are correctly identified and recorded. Following the recommendation of the Budget Analyst's Management Audit Report, a new Check Control Unit was created in November.

As a result of the consolidation of this function, monthly check control activity decreased from 2,672 to 643 – a reduction of 68%. The Check Control unit has researched and generated 25,980 statements, prepared 690 refunds, and returned 5,454 checks to taxpayers. The need to request help from auditors, investigators, and collection officers has been almost eliminated.

An early act of the Department's new administration was to initiate restructuring of the Department's two cashier units into Cashiering, Research, Mail and Account Services. This reorganization is to take effect on July 1, 1998. The objective is to provide a multifunctional, customer-friendly environment, and reduce the cost of hiring temporary employees.

In FY 97-98, taxpayers made 1,395 credit card payments at the counter and over the phone. This resulted in \$2,326,068 in revenue, compared to 32 transactions totaling \$40,878 conducted in FY 96-97.

Two OPEX 51 mail extractors were acquired at a cost of \$18,780 each. Their speed of 900 envelopes per hour has permitted a significant reduction in the number of temporary clerks required during peak periods, a potential savings of \$100,000.

Staff processed 574,909 items during FY 97-98. This represented \$1,39249,223 in revenue and was an 8.4% increase over last year. Consolidation of Apartment House and Hotel license fees into the Property Tax bill reduced the number of transactions. Since 1958 the State, acting as agent of the City and County, has collected the San Francisco Uniform Sales and Use Tax. The State returned \$139,175,501 (revenues minus costs) to the City, including the amount for deposit in the Local Transportation Special Fund.

Nine of the nineteen revenue categories accounted for 99% of revenues. The greatest increase in revenues was in the Business and Payroll categories (14.2 and 15.6% respectively). These increases are attributed to different outreach and educational programs provided to the public by the Division.

A new computerized remittance processing and cashiering system should become fully functional during FY 98-99. When services are reestablished in City Hall, a centralized City Payment Center will process payments for other departments, beginning with the Water Department and adding other departments over time.

Below is a table providing a comparison of FY 97-98 Cashiering activities with those of prior fiscal years.

NOTE: The Cashier's figures do not match those of the Property Tax and Business Tax sections. The Cashier's figures represent the amounts originally collected before adjustments. The figures of these two sections, as noted on their respective statistical tables, represent the amounts adjusted for transfers, duplicates, and overpayments.

Cashier's Section -- Statistical Activity

Comparison of Collections

TYPE OF COLLECTION	FY 93-94			FY 94-95			FY 95-96			FY 96-97			FY 97-98		
	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed	Items Processed	Amount Processed
Real Estate Tax	\$587,439,946	310,191	\$617,015,288	310,049	\$601,570,918	311,754	\$617,277,748	314,473	\$653,975,744	310,779					
Real Estate Supplemental Tax	10,060,247	14,507	9,954,608	15,848	7,141,366	9,852	9,933,587	14,480	16,090,644	19,767					
Unsecured Personal Property Tax	66,544,442	38,824	62,825,577	38,665	64,033,435	37,662	63,885,067	35,591	67,514,875	31,695					
UPP Supplemental	388,836	907	813,457	1,106	366,952	915	1,364,951	1,392	604,217	1,041					
Business Tax	24,946,852	41,011	22,989,687	41,177	23,466,512	46,126	27,459,580	44,836	31,481,832	48,860					
Business Registration	7,928,377	56,563	7,879,535	57,885	8,817,760	64,898	9,519,190	68,885	10,131,496	70,467					
Business Tax Amnesty Program*	--	-- *	4,616,176	11,156	99,909	171	--	-- *	--	-- *	--				
Payroll Tax	149,900,725	17,900	128,151,284	17,929	141,622,929	22,293	159,229,415	22,728	184,131,871	25,786					
Hotel Tax	95,901,142	5,072	93,583,771	4,772	98,940,792	4,909	134,919,500	4,773	152,343,416	5,237					
Parking Tax	34,758,055	2,590	30,926,089	3,039	34,618,789	3,128	37,755,561	3,083	42,385,587	3,224					
Utility Tax	43,543,584	630	50,464,616	838	52,410,412	1,060	54,231,302	1,311	55,397,605	1,773					
Stadium Tax	2,276,205	18	2,498,563	16	2,791,934	26	2,828,382	23	3,204,354	23					
Vehicle Renter**	813,900	36	2,090,979	76	586,352	20	--	-- **	--	-- **	--				
Licenses	9,645,558	84,399	9,692,624	88,294	8,538,284	53,263	7,930,755	43,259	5,569,589	24,691					
Retail Sales & Local Transport.	106,336,402	24	113,353,993	24	126,891,037	24	131,597,394	23	139,175,601	24					
Roofers Fees	11,160	98	9,330	87	9,644	79	10,230	84	9,720	79					
Tax Redemption	24,094,271	5,810	23,397,377	5,276	18,719,436	5,175	18,369,242	4,695	17,978,872	4,737					
Delinquent Revenue	3,046,444	10,874	2,844,661	11,998	2,538,549	11,936	2,938,385	12,966	3,152,927	12,533					
Voluntary Art Fund	51,218	2,448	51,414	2,453	58,705	2,513	51,743	2,182	63,528	1,908					
Emergency Response Fund	--	-- ***	3,263,750	19	4,453,169	23	4,521,951	34	7,776,312	106					
Other	45,199	557	202,211	3,921	179,375	2,765	112,116	1,815	834,170	2,289					
TOTALS	\$1,167,731,863	592,459	\$1,186,624,990	614,628	\$1,197,856,259	578,612	\$1,283,936,199	576,633	\$1,392,442,360	575,019					

*One time Business Tax Amnesty.

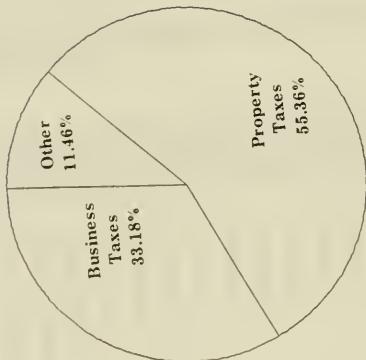
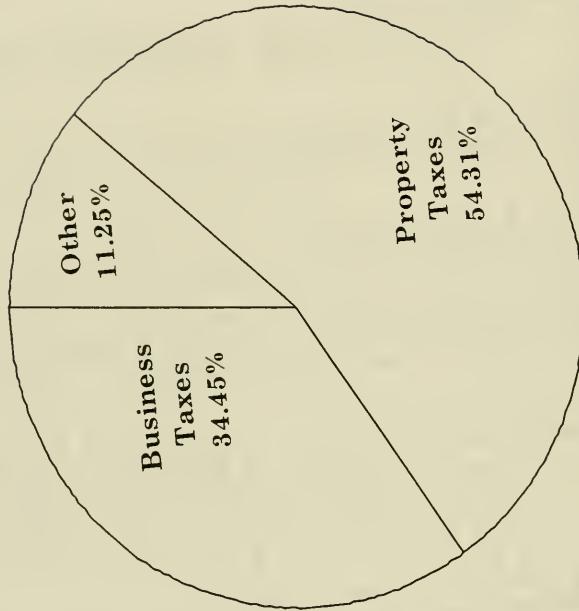
**Vehicle Tenter Tax: new in FY 93-94, abolished in FY 96-97.

***Emergency Response Fund established in FY 94-95.

Sources of Revenue

Treasurer/Tax Collector Department

FY 97-98
\$1,392,442,360



FY 96-97
\$1,283,936,199

Sources of Revenue - FY 97-98

Treasurer & Tax Collector Department

CATEGORIES	Revenue	Percentages
Property Taxes		
Real Estate Tax	\$653,975,744	46.966%
Real Estate Supplemental Tax	16,090,644	1.156%
Unsecured Personal Property Tax	67,514,875	4.849%
UPP Supplemental	604,217	0.043%
Tax Redemption	<u>17,978,872</u>	1.291%
Total Property Taxes	<u>\$756,164,352</u>	<u>54.305%</u>
Business Taxes		
Business Tax	31,481,832	2.261%
Business Registration	10,131,496	0.728%
Payroll Tax	184,131,871	13.224%
Hotel Tax	152,403,416	10.945%
Parking Tax	42,385,587	3.044%
Utility Tax	55,957,605	4.019%
Stadium Tax	3,204,354	0.230%
Total Business Tax	<u>479,696,161</u>	<u>34.450%</u>
Other		
Licenses	5,569,589	0.400%
Retail Sales & Local Transport.	139,175,601	9.995%
Roofers Fees	9,720	0.001%
Delinquent Revenue	3,152,927	0.226%
Voluntary Art Fund	63,528	0.005%
Other	<u>8,610,482</u>	0.618%
Total all other	<u>156,581,847</u>	<u>11.245%</u>
Totals	<u><u>1,392,442,360</u></u>	<u><u>100.000%</u></u>

(See chart on p. 28)

Property Tax/License Section

The Property Tax/License Section collects, records, and reports payments of secured and unsecured property taxes and special assessments, as well as business license fees and permits. The three major units of this section are Real Estate, Tax Redemption, and License. More than 260,000 property tax bills, including over 50,000 unsecured tax bills, and over 30,000 business license fee statements are mailed to taxpayers throughout each tax year.

Real Estate Unit

The Real Estate unit processes regular, escaped assessments, and supplemental tax bills throughout the year for both secured and unsecured taxes. It establishes and maintains complete records on taxes being paid under the four-year installment payment plans for secured and unsecured escape assessments for all prior fiscal years. The Real Estate unit collects various special assessments on the secured property tax bills including more than 59,000 rent board fees and approximately 30,000 apartment house and hotel license fees.

The Real Estate unit is also responsible for processing refund requests for overpayments and duplicate payments for current and prior years' property taxes approved by the Assessment Appeals Board or the Assessor's Office and authorized by the Controller's Office.

Collection of property taxes increased by over \$41.3 million during FY 97-98, an increase of 4.9 percent over the previous fiscal year. As a result, San Francisco County ranked among the top ten counties in the state, reporting the lowest delinquency rate for secured property tax collections. The delinquency rate for secured property tax for fiscal year 97-98 was 1.45%, down from the 1.68% recorded for the previous fiscal year. The delinquency rate for unsecured property tax was also down, from 3.21 % to 2.29%.

Though part of this revenue increase can be attributed to an expanding economy, it is also the result of outreach and education efforts made by Property Tax/License and Taxpayer Assistance staff.

Tax Redemption Unit

The Tax Redemption unit processes and computes payments of prior years' delinquent secured property taxes. It also maintains complete records on taxes being paid under five-year installment payment plans.

In compliance with State law, each year, the Tax Redemption Unit of the Property Tax/License Section prepares a list of properties that have become tax-defaulted for more than five (5) years. They then record a "Notice of Power to Sell Tax-Defaulted Property". This unit is responsible

for conducting a public auction to sell such properties subject to the Tax Collector's power to sell.

License Unit

In April 1998, the Department's Licensing function was combined with the existing Property Tax section as part of the continuing evolution of a centralized Taxpayer Assistance section. The result has been a more efficient and productive operation with improved communications and reporting. For example, completion of automated services will enable generation of receipts and reports by the end of the next fiscal year. The License unit is the central point for the collection of fees mandated by San Francisco Municipal Code, Part III. The unit collects over 150 different fees and licenses plus permits for the Animal Care and Control, Public Health, Public Works, Police and Fire departments. The License unit collected \$5,569,587 in FY 97-98, derived from processing 24,483 licenses and permits.

For the first time, more than 29,000 Apartment House and 597 Hotel license fees appeared on Secured Property Tax bills. As a result, the Property Tax/License section collected more than \$3,115,000. By consolidating these billings with the Secured Property Tax bill, duplication of effort was minimized, collections increased, and taxpayer services were enhanced. Delinquencies of Apartment House and Hotel license fees were reduced from 12% to less than 2%.

Dog licenses came on-line this year. The Chameleon System links with the Department of Animal Care and Control and can provide around-the-clock information. As a result, service to dog owners is greatly enhanced and more efficient. Dog owners are offered a discount for purchasing a multi-year license and Senior citizens continue to benefit from a 50% discount.

The License Unit is also responsible for reporting all delinquent business license fees to the appropriate regulatory departments for collection.

Highlights: Current Accomplishments and Activities

- ❖ The Department's License section was merged into the Property Tax section during FY 97-98. A significant amount of the licensing work is compatible with Property Tax activities. Combining the two has resulted in numerous efficiencies, including more effective communications and reporting processes.
- ❖ This fiscal year the Property Tax/License section began to collect more than 29,000 Apartment House License fees and 597 Hotel License fees, totaling over \$3.1 million, as a result of their inclusion on the secured property tax bill. Also included on this bill was the Rent Stabilization and Arbitration Fee. More than 59,000 of these were collected for a total of approximately \$1.9 million.

- ◊ The result of including these items on the secured property tax bill was increased collections, elimination of duplication of effort, and enhanced taxpayer services. Preparation and mailing of numerous separate statements was eliminated, the Department's costs were reduced, and the payment process was streamlined. The percentage of unpaid Apartment House and Hotel License fees for FY 97-98 was reduced from 12% for the previous year to less than 2%.
- ◊ Property Tax/License section now accepts payments of current year secured property tax payments by credit card over the phone as well as at the counter. During FY 97-98, 968 credit card payments were processed for total revenue of \$1.9 million. This option provides taxpayers with more flexibility and expedites the posting of tax payments.
- ◊ The old microfiche reader/printers were replaced this year with a state-of-the-art CD-ROM system. Members of the public and tax collection staff may now conduct a speedy search as they find, view, and print tax records from prior years.
- ◊ Electronic Fund Transfer (EFT) is now required of those taxpayers with an aggregate payment of \$100,000 or more. During FY 97-98, 595 EFT transactions resulted in a total amount of \$143.4 million. The primary advantage of electronic payment is elimination both of the "float" and of a significant amount of processing, sorting and physical handling of tax payments.
- ◊ A highly successful public auction of secured real properties was conducted by Property Tax/License section in FY 97-98. These were tax-defaulted properties subject to the Tax Collector's power to sell. The purpose of the auction was to collect unpaid taxes (redemption) and to convey the property to a responsible owner. Property Tax/License section sold 49 properties to the highest bidders for revenue of \$658,000. Another such auction is anticipated for mid-FY 98-99.
- ◊ A major project has been exploration into the development and implementation of an integrated property tax system for the purpose of assessing, billing and collecting secured and unsecured property taxes. This is a cooperative venture among the Office of the Treasurer & Tax Collector, the Controller, and the Assessor-Recorder, with the assistance and advice of the City's Information Service Division. Better integration of systems among these departments will facilitate more efficient communications and reporting processes.

This is anticipated to be a four-phase project which, when completed, will allow the City and County of San Francisco to provide tax information in a more accurate and timely manner, both internally and to taxpayers.

Property Tax Section Goals And Objectives For FY 98-99

Plans for FY 98-99 include an expansion of the use of EFT (electronic fund transfer). Any taxpayer who makes an aggregate payment of \$50,000 or more on the two most recent regular installments of the secured roll or on one installment of the most recent unsecured tax roll will be required to make subsequent payments by EFT. More than 900 taxpayers may be included in this grouping.

Secondarily, Property Tax/License section is working with Wells Fargo Bank to extend to taxpayers, making tax payments by ACH Debit, the additional option of having their property tax payments made electronically.

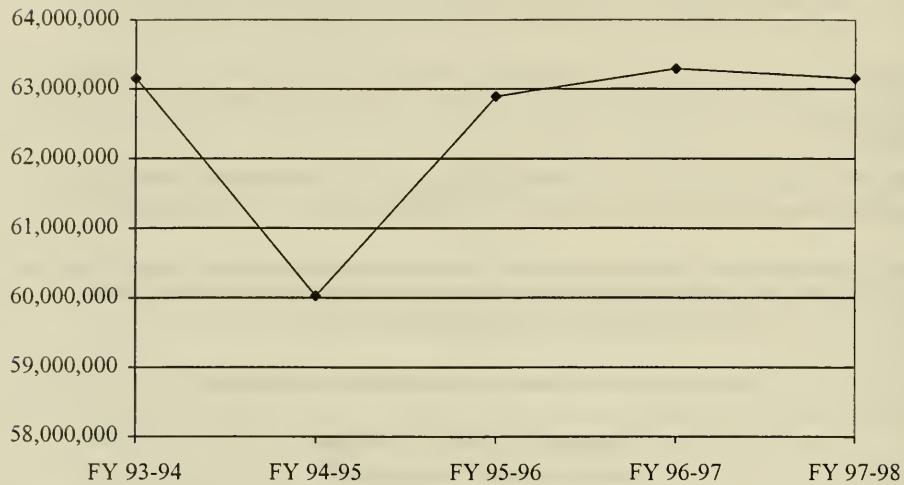
Property Tax/License section is working with the Department of Animal Care and Control to automate the processing of more than 15,000 dog licenses with a potential revenue of more than \$200,000.

The table and graphs following provide a comparison of FY 97-98 Property Tax and Licensing activities with those of prior fiscal years. [The apparent decline in license fee revenues is the result of placing more than 29,000 Apartment House and 597 Hotel license fees on the Secured Property Tax Bill.]

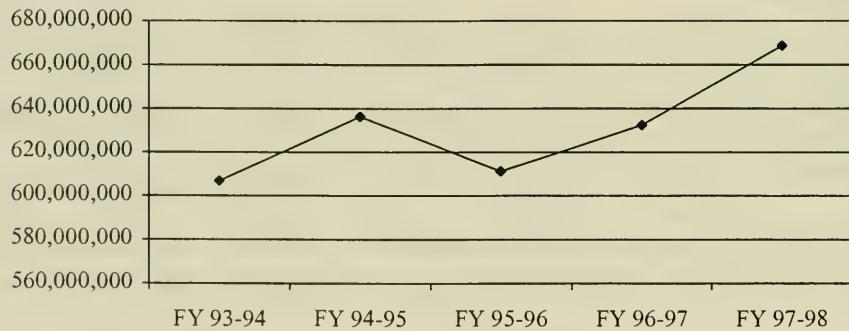
Property Tax Section **Comparative Tax Collection Report**

TYPE OF COLLECTION	FY 93-94	FY 94-95	FY 95-96	FY 96-97	FY 97-98
<u>Secured Property</u>					
Current Year					
\$583,074,455	\$613,909,404	\$593,173,814	\$611,779,218	\$649,901,510	
23,659,235	22,266,281	17,969,056	20,584,120	18,727,558	
TOTAL SECURED	\$606,733,690	\$636,175,685	\$611,142,870	\$632,363,338	\$668,629,068
<u>Unsecured Property</u>					
Prepaid					
\$ 763,982	\$ 730,172	\$ 765,659	\$ 462,319	\$ 230,052	
Current Year	60,940,515	58,649,813	59,729,106	61,345,290	64,570,635
Prior Years	1,447,582	644,005	2,395,351	1,483,868	-1,648,410
TOTAL UNSECURED	\$63,152,079	\$60,023,990	\$62,890,116	\$63,291,477	\$63,152,277
<u>Supplemental</u>					
Secured					
\$9,024,463	\$9,730,271	\$6,924,345	\$ 9,529,764	\$15,256,834	
Unsecured	337,221	719,362	363,898	1,121,981	544,201
TOTAL SUPPLEMENTAL	\$9,361,684	\$10,449,633	\$7,288,243	\$10,651,745	\$15,801,034
TOTAL COLLECTIONS	\$ 679,247,453	\$706,649,308	\$681,321,229	\$706,306,560	\$747,582,380

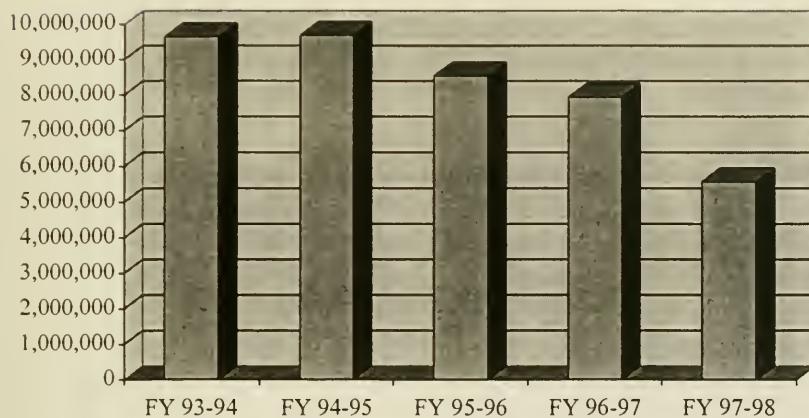
Unsecured Property Tax



Secured Property Tax



License Fees Collected



License Unit – Statistical Activity

Type of Collection	FY 93-94		FY 94-95		FY 95-96		FY 96-97		FY 97-98	
	Amount Processed	Items Processed								
Public Works	\$ 3,102,753	19,234	\$ 3,126,366	19,412	\$ 3,143,228	19,511	\$ 3,160,046	19,775	\$ 3,186,808	257
Police	\$ 775,306	8,844	\$ 780,808	8,992	\$ 753,011	8,911	\$ 815,415	9,060	\$ 812,472	9,258
Public Health	\$ 3,579,151	8,174	\$ 3,576,671	8,238	\$ 3,737,257	8,364	\$ 3,300,367	7,496	\$ 4,179,533	8,407
Fire Dept. Licenses	\$ 414,848	2,131	\$ 450,908	2,392	\$ 469,691	2,513	\$ 460,067	2,542	\$ 460,973	2,529
Dog Licenses	\$ 71,383	7,154	\$ 41,726	3,841	\$ 46,747	4,141	\$ 53,260	4,476	\$ 57,999	4,032
Subtotal	\$ 7,942,441	45,537	\$ 7,976,479	42,875	\$ 8,149,934	43,440	\$ 7,789,155	43,349	\$ 5,567,785	24,483
Rent Stabilization and Arbitration	\$ 1,612,320	38,761	\$ 1,626,472	45,329	\$ 253,632	9,729	\$ 4,714	49	—	—
Dept. Public Works Surchage	\$ 89,796	—	\$ 89,672	—	\$ 34,947	—	\$ 136,876	—	\$ 1,802	—
Totals	\$ 9,645,557	84,298	\$ 9,692,623	88,204	\$ 8,538,513	43,440	\$ 7,930,745	43,398	\$ 5,569,587	24,483

Business Tax Section

The Business Tax Section is responsible for implementation and enforcement of tax ordinances in the City and County of San Francisco Municipal Code, Part III, Revenue and Finance. The Business Tax Section reviews and processes business registrations, prepayments, and annual and quarterly filings. The section performs periodic audits in order to promote voluntary taxpayer compliance with the City's tax ordinances. It maintains taxpayer accounts and files on the automated Business Tax System (BTS) and provides various City departments with information for economic planning and forecasting.

Overall business tax filings with payments in FY 97-98 increased by \$51 million (12%). All tax types experienced increases. Parking Tax in particular increased by \$4.7 million (13%) and Hotel Tax by \$17.4 million (13%).

Audits

The audit staff performed and billed 783 audits in FY 97-98. Included were two extraordinary audits for over \$3.1 million -- one a parking tax audit for a valet parking operation for over \$700,000; the other a payroll tax audit of a non-exempt financial services corporation. Overall, audit deficiency billings totaled \$7,570,016. The Business Tax section also transmitted liens totaling \$968,529 to the Bureau of Delinquent Revenue. Field audits targeting businesses headquartered outside San Francisco were conducted again, as they have been for the past several years.

A computer based audit selection and reporting system was implemented in January 1997. Matched against a specific set of criteria, accounts are selected for audit by the computer system. A uniform check list and audit program was begun for parking tax audits. Forensic auditing techniques are applied when dealing with taxpayers who do not provide financial records or who fail to present an accurate accounting of the actual parking revenues collected.

An Apportionment Handbook was completed, and the Principal Auditor trained the audit staff on its use and interpretation. The Common Administrative Provisions, a new article of the San Francisco Municipal Code, became effective on January 1, 1998. This was the result of a collaborative effort with the City Attorney and the Controller's offices, taking place over two years. All common administrative and common penalty sections of the Business, Payroll, Hotel, Parking, Utility, and Stadium tax ordinances are consolidated within it.

Other changes to the tax ordinances:

- ◊ Permit the Tax Collector to reinstate the \$2,500 Small Business Exemption for good cause;
- ◊ Change the schedule of late filing penalties;

- ❖ Include greater enforcement provisions and remedies for non-compliance of third party taxes; and
- ❖ Allow hotel and parking operators to elect monthly prepayment based on the actual amount owed.

Accounting Unit

Accounting Services staff concentrated on performing all necessary accounting transactions to taxpayers' accounts and on serving taxpayers in a timely fashion. Restructuring of the unit plus hiring of additional staff has released audit personnel, on temporary assignments to the unit, to concentrate on audit tasks. Because both audit and accounting units have been able to focus on their respective areas of expertise, tax revenues have significantly increased. Staff generally exceeded or maintained the goals and achievements accomplished the previous year.

Staff was responsible for the issuance, receipt, processing, and management of over 72,000 Annual Gross Receipts and Payroll Tax Statements; 72,000 Annual Registration Statements; 17,000 Prepayment Tax Statements; 3,000 Hotel Tax Statements; 1,200 Parking Tax Statements; 1,600 Utility Tax Statements; 800 Tax and Fee refunds; and related remittances.

A Raw Data Validation program was developed and tested, on an experimental basis, during FY 1996-1997. A study of unallocated payments was conducted concurrently. In October 1997, the results of both studies were evaluated and recommendations were made. A data analysis of a 20% sample of the 1996 tax statements filed revealed that 97.4% of the data scanned, verified, edited and uploaded into the BTS System is accurate. The resultant 2.6% error factor was further examined, revealing that only half of the erroneous data affected taxpaying accounts, while the rest had no tax effect. Accounting Services recommended that the Cashier Section's staff separate the statements into "money" and "no money" statement batches. Only the former will be examined during future processing periods.

Scanning of Business and Payroll Tax statements was initiated three years ago and has proved to be much faster and more accurate than manual data entry. The time spent processing annual statements has been reduced from six months to three. Forms are scanned, verified and edited via computer programs and then uploaded to the Business Tax System (BTS) mainframe where tax calculations are performed and historical data is stored. More powerful scanning software has been installed which has even further reduced the number of errors. The software operates over the Local Area Network (LAN), eliminating various file-consolidation procedures that were labor-intensive and error-prone and making the images available in the image viewing system within 24 hours.

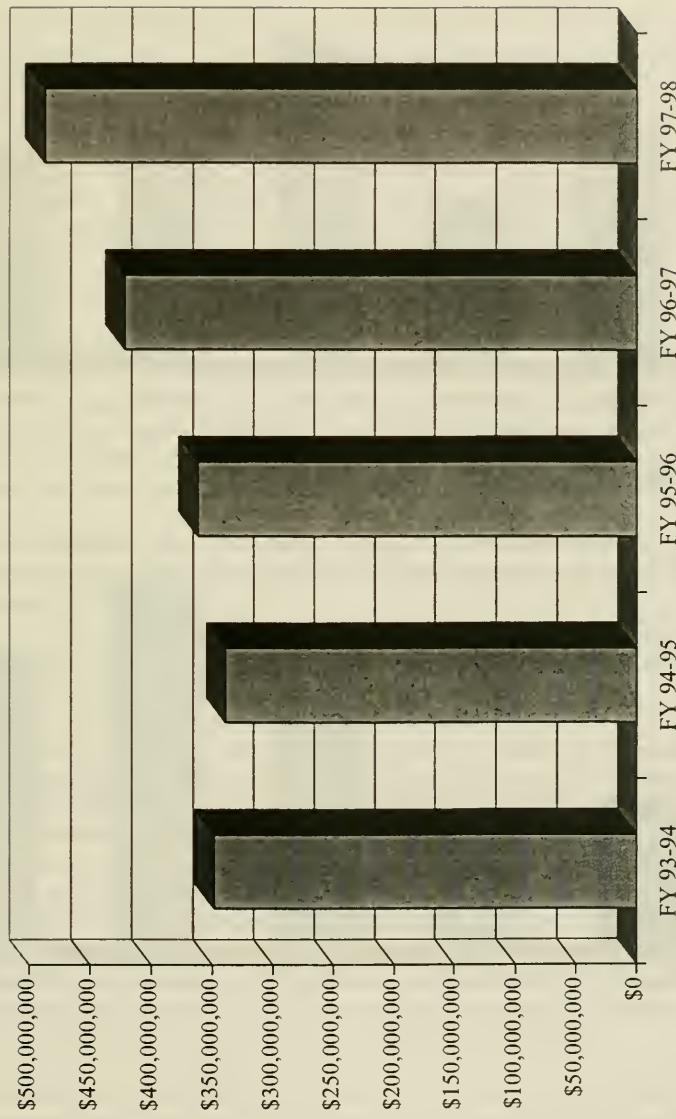
Note: The Business Tax Section is responsible for implementing the following tax ordinances under the San Francisco Municipal Code, Part III, Revenue and Finance: Common Administrative Provisions (Article 6), Transient Occupancy Tax (Article 7), Parking Tax (Article 9), Utility Users Tax (Article 10), Emergency Response Fee (Article 10-A), Stadium Operator Admission Tax (Article 11), Payroll Expense Tax Ordinance (Article 12-A), Business Tax Ordinance (Article 12-B), Registration Fee (Article 12-B), and the Roofers Vehicle Tag (Article 12-B).

Business Tax Section -- Statistical Activity

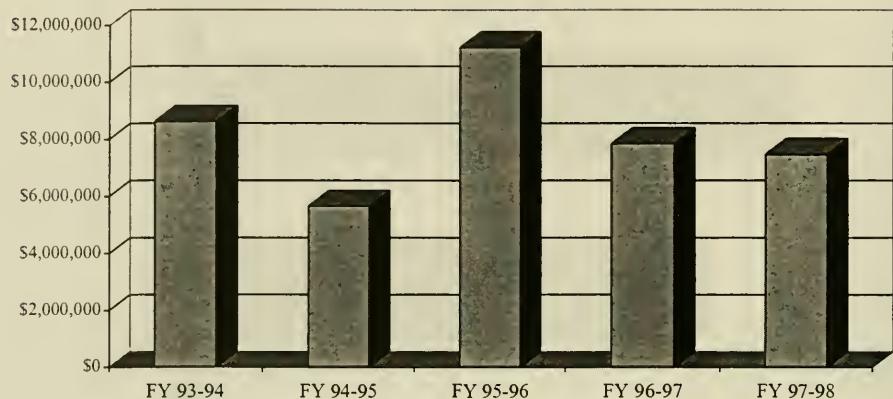
TAX COLLECTION	FY 93-94	FY 94-95	FY 95-96	FY 96-97	FY 97-98
Payroll /Business Tax	\$ 164,581,432	\$ 143,108,308	\$ 159,176,195	\$ 178,177,671	\$ 200,479,095
Utility Tax	43,543,585	50,464,616	52,410,412	54,231,301	55,957,605
Parking Tax	34,740,983	30,926,090	34,618,791	37,499,274	41,662,596
Hotel Tax	94,538,696	93,583,771	98,940,792	134,848,650	152,319,165
Stadium Tax	2,276,206	2,498,563	2,791,933	2,567,412	3,204,354
Registration Fee	7,928,487	7,879,534	8,687,272	9,519,190	10,131,496
Roofers Vehicle Tag	11,340	9,330	9,554	10,230	9,720
Vehicle Renter Tax	813,900	2,090,979	586,352	--	--
Emergency Response Tax	--	3,263,750	4,453,172	4,521,952	7,776,312
Amnesty Program	--	5,234,381	99,909	--	--
TOTAL	\$ 348,434,629	\$ 339,059,322	\$ 361,774,382	\$ 421,375,680	\$ 471,540,342

AUDIT RESULTS	FY 93-94	FY 94-95	FY 95-96	FY 96-97	FY 97-98
Audit Hours	5,625.0	5,063.0	12,170.0	15,193.0	12,779.0
Audits Completed	386.0	321.0	677.0	970.0	790.0
Average Hrs./Audit	14.6	15.8	18.0	15.7	16.2
Ave. Billings/Audit	\$ 22,334	\$ 17,628	\$ 16,583	\$ 8,090	\$ 9,463
Average Billings/Hour	\$ 1,533	\$ 1,118	\$ 923	\$ 517	\$ 585
Audit Deficiency Billing	\$ 8,621,045	\$ 5,658,563	\$ 11,226,923	\$ 7,847,499	\$ 7,475,851

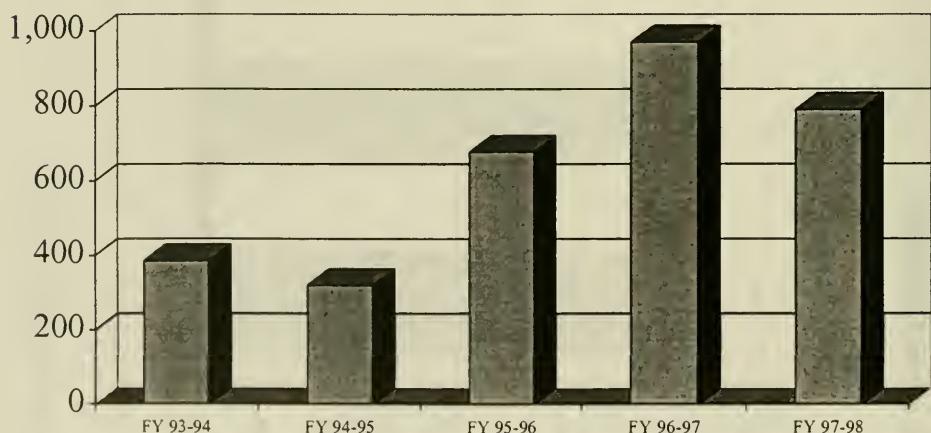
Business Taxes – Total Collections



Audit Deficiency Billings



Audits Completed



Bureau of Delinquent Revenue/Investigations

The four units that comprise Bureau of Delinquent Revenue/Investigations (BDR) Section generated total revenue of \$28,762,277 for FY 97-98. This collection total amounted to an increase of 11.65% compared to total collections of \$25,761,739 for FY 96-97. This significant increase in collections is attributable, in part, to the successful restructuring of the various units within the section, an endeavor begun approximately two years ago. Proposed changes were analyzed, tasks identified, procedures written, personnel hired and trained, systems enhanced, and finally, changes implemented, culminating in a more efficient and effective system of collections and enforcement. The following analysis provides an overview of the factors that resulted in this performance.

General Collections Unit

General Collections (formerly the Medical Unit), increased overall collections by 3.34% over last year. In addition to processing the primary accounts from San Francisco General Hospital (SFGH), other noteworthy achievements of this unit include increased effectiveness in collecting on bad checks, unclaimed funds, and the Laguna Honda Hospital (LHH) accounts.

In a case where settlement funds were distributed despite our valid medical lien, the senior collection officer was successful in obtaining a Small Claims judgment against the patient's attorney and was awarded payment in full.

Two new collectors were hired and trained. These new individuals increased motivation, generated competition and revived energy in this unit.

The ability to access credit reports on-line and real property ownership nationwide increased our ability to perform financial analysis of debtors in order to determine ability to pay. We also obtained the ability to process credit card payments for SFGH bills plus on-line access to the Secretary of State's office.

This fiscal year, we had four students under the Summer Youth program assisting with clerical tasks and simple data entry. As always, these students provided us with exceptional and much appreciated assistance. By training, monitoring, guiding and directing these students, we strive to set the foundation and the standard for their future careers. In return, the work they do has meaning and is not just busywork. Our collection supervisor received the "Mentor of the Year" award from Mayor Willie Brown. This program is highly recommended.

During this fiscal year, we held discussions with the Courts and the Water Department concerning assignment of their accounts receivable files to our collections operation. A pilot project with the Courts, handled by a senior collection officer, involved the referral of approximately

twenty-six non-sufficient funds checks. Within two months, the recovery rate was 43%, and additional collection is expected. The collectors are willing and capable of handling any new debt collection.

Escrow and Bankruptcy Unit

Collections generally remain stable in the Escrow and Bankruptcy unit when compared with the fiscal year 96-97. Significant changes in the Escrow and Bankruptcy unit, plus certain technical problems in the Assessor's Office concerning the Unsecured Personal Property (UPP) assessments contributed to a slight decrease.

As part of cross training, one collector was transferred to the Clearance Unit. The Senior collection Officer was assigned to Escrow/Bankruptcy to become familiar with their procedures and to assist with more complex accounts. Later in the year, another collector from the General Collection Unit was transferred to Escrow/Bankruptcy for further cross training. The veteran collector within this unit is praised for providing practical advice to the new trainees as well as for handling a double load at times. Future plans for this unit include updated training, offered by Legal Section, in bankruptcy procedures.

Clearance/Business Tax Unit

In March 1997, Clearance Unit and Business Tax Unit merged under consolidated supervision. The effective date of this merger was in FY 1996-97, and was effectively completed toward the end of FY 1997-98. Procedures were clearly and carefully written. A step by step approach was taken to provide a smooth transition and to ensure that the level of revenue collection would be maintained. To date, all accounts and collection activities are evenly distributed among the seven collectors in this unit which will be cross trained among the other units in the next fiscal year.

Significant changes included the assignment of the delinquent UPP tax receivables from the Investigations unit to this unit. Several years ago, the Investigations staff was assigned the task of reducing the volume of delinquent UPP taxes reported to the State Controller. Having successfully reduced this delinquency rate to approximately 3.5% in FY 96-97, it was time to refer these now manageable debts back to collectors to handle. This transfer occurred first in mid September 1997 with the collectors handling accounts of less than the \$2,000 base tax. In January 1998, the entire delinquent file was transferred to this unit.

Utilizing a variety of sources, the collectors have conducted in-house surveys of San Francisco businesses to determine whether they are registered. In the process, they generated approximately 18% of the payroll/gross receipt taxes. The collectors have a clear indication that 90% of businesses surveyed are already registered. This unit increased its collections by 134.68% compared to FY 1996-97. Even without the recent assignment of UPP taxes, this unit still exceeded its prior year collections by 102.6%.

Investigations Unit

This unit has experienced dramatic changes within this fiscal year. As mentioned earlier, this unit successfully achieved its task of reducing the delinquency rate of UPP taxes to a more manageable level. That done, it was time to focus on enforcement activities designed to ensure compliance and deter potential violators of local ordinances. To this end, the unit was afforded training on systems and revised enforcement procedures. New policies were developed and implemented. Changes included the following:

- Small Claims, formerly handled by medical debts collectors, were transferred to Investigations so that other types of debts, such as business taxes, could be included to achieve a more centralized function. The senior collection officer has been helpful in sharing his practical experience obtained working with the courts.
- Investigators were trained to handle wage garnishments and bank account levies, and all research necessary to achieve such a result. Legal Section provided excellent training on this topic and additional training is being scheduled with the City Attorney's office.
- Procedures were written to enhance surveys of unregistered businesses. Priorities have been set and research tools purchased. These are under review.
- The Business Tax ordinance has been amended to enable Investigators to issue citations against the most flagrant tax violators. Policies and procedures are being discussed and developed with the assistance of the City Attorney's office.
- More complicated accounts now have a forum in this unit. Investigators have received negotiations training from Legal Section to assist with this function.
- Participation in the Franchise Tax Board Offset program will be handled by this unit.
- The Investigations unit oversees Clearance Unit to provide assistance with more complex accounts and operations.

A senior investigator was hired within this fiscal year and was extremely effective in implementing the new changes and procedures.

One staff investigator was assigned to Property Tax Section during this fiscal year. Participation of an second investigator in the continued systems enhancement to the BTS system has been valuable. This investigator is also assigned to assist Clearance Unit with any complex problems. The Investigations unit will receive bad check referrals beginning in the new fiscal year.

The tables and graphs following provide a comparison of FY 97-98 Collections and Investigationsactivities with those of prior fiscal years.

Bureau of Delinquent Revenue -- Statistical Activity

<u>Collections</u>	FY 93-94	FY 94-95	FY 95-96	FY 96-97	FY 97-98
Dept of Public Health	\$ 2,785,974	\$ 2,549,757	\$ 2,257,406	\$ 2,855,073	\$ 3,081,377
Contractual Services	161,865	248,470	139,638	83,413	71,552
Payments Direct to DPH	3,413,633	1,356,354	2,439,910	4,076,208	4,086,647
All Other Departments	98,605	46,434	141,394	6,401	15,982
Escrow & Bankruptcy	2,820,334	2,946,901	2,358,491	3,783,181	3,504,655
Business Taxes	--	--	1,016,031	5,713,928	18,002,064
Total Collections	\$ 9,280,411	\$ 7,147,916	\$ 8,352,870	\$ 16,518,204	28,762,277

Other Delinquent

<u>Account Data</u>	FY 93-94	FY 94-95	FY 95-96	FY 96-97	FY 97-98
Outstanding Accounts (Exc. Outpatient)	6,296	6,551	8,568	8,429	9,523
Outpatient Medical Accounts	78,850	102,449	168,377	167,890	223,707
Total No. of Cash Collections	12,197	13,098	13,812	12,947	12,528
Direct Payments to DPH	3,078	1,516	2,659	5,796	5,747
Transfers to B.D.R.	82,209	88,718	67,125	73,937	81,868
Business Tax Accounts	--	--	700	8,604	85,731
Total No. of Accounts	182,630	212,332	261,241	277,603	419,104

Investigations Unit Statistical Activity

<u>Collection Activity</u>	FY 93-94	FY 94-95	FY 95-96	FY 96-97	FY 97-98
Collections Made	\$ 6,465,982	\$ 9,621,479	\$ 5,375,742	\$ 6,872,304	\$ 3,695,287
Clearance Unit Collections	2,067,475	1,981,678	2,043,013	1,988,759	14,306,777
TOTAL	8,533,457	11,603,157	7,418,755	8,861,063	18,002,064

Calls Made	18,123	23,083	22,315	18,871	17,061
Ave. Collections Per Call	\$ 357	\$ 503	\$ 333	\$ 370	\$ 420

Cases Filed & Instituted

<u>(Small Claims Court)</u>	106	52	4	34	18
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Inventory of Accounts

Accounts Open at Start of FY	92,774	96,636	99,088	100,576	112,280
Accounts Received During FY	14,022	8,134	7,197	19,954	19,406
Subtotal	106,796	104,770	106,285	120,530	131,686
Less Acc'ts Closed During FY	10,160	5,682	5,709	8,250	128,604
Accounts Open at Close of FY	96,636	99,088	100,576	112,280	3,082

Clearance Unit –

Inventory of Accounts

Open at Start of FY	13,633	8,345	19,132	17,698	25,781
Accounts Received	49,858	67,703	65,941	73,041	72,144
Subtotal	63,491	76,048	85,073	90,739	97,925
Less Accounts Cleared	55,146	56,916	67,375	64,958	12,194
Accounts Open at Close of FY	8,345	19,132	17,698	25,781	85,731

Other Activity

Certificates of Lien on File	7,831	4,909	4,819	5,123	3,143
Abandonment Recommendations	424	404	69	61	0

LEGAL SECTION

The Legal Section is the final enforcement arm for the collection of delinquent accounts under the Tax Collector's jurisdiction. The section consists of two Attorneys, two Legal Assistants, and two Legal Secretaries. It prepares the appropriate legal responses when a Tax Collector's lien is under legal attack in a bankruptcy case or a judicial foreclosure case. Finally, it advises the Tax Collector and his section supervisors on collection-related matters.

Most delinquent accounts referred to Legal Section are tax deficiency assessments from the Business Tax Section. These cases frequently involve delinquent taxes owed by closely held corporations or partnerships. They require thorough analysis of the legal interrelationships between the business entities and the individuals who own or control their fiscal affairs before a successful collection strategy can be developed. Knowledge of corporate and partnership law, as well as bankruptcy law and procedures, is essential to successful collection strategy.

The remainder of Legal Section's caseload comes from the Bureau of Delinquent Revenue (BDR) in the form of claims for hospitalization services rendered at San Francisco General Hospital and Laguna Honda Hospital and bankruptcy cases arising out of the creditor claims filed by BDR.

An important part of Legal Section's representation of BDR requires resolution of issues involving medical reimbursement liens filed by BDR. These issues arise primarily in hospital patients' lawsuits against third parties that allegedly caused the patients' injuries. Legal Section also handles liens in workers compensation proceedings instituted by hospital patients.

Although civil collection suits are a primary means of enforcing payment of delinquent accounts, Legal Section uses other civil creditor procedures when appropriate. These include pursuit of creditor claims in bankruptcy estates, decedent estates and conservatorship estates; and other kinds of liens, including tax liens, in support of voluntary payment agreements negotiated with the debtor.

This fiscal year, Legal Section has conducted two training sessions for BDR Investigators involving post judgment execution procedure and negotiation of effective payment agreements for delinquent tax obligations. The section has emphasized its role as the legal advisor on collection related issues. Both Legal Section attorneys prepare legal advice memoranda to the Tax Collector and his section managers on collection related issues.

Legal Section's litigation and collection efforts have been concentrated on parking tax cases of two types: (1) where the individual shareholder's personal liability for the taxes assessed against the corporate operator is the major issue and (2) where the parking operator is a corporate entity having few or no assets. These cases are always vigorously litigated by the defendant and require intense effort by the litigation attorneys and Legal Section support staff.

Hospital collection cases are carefully selected to target only those cases where the debtor has identifiable assets to pay the claim. Those major litigated hospital cases brought by Legal Section during this period culminated in cash settlements.

Legal Section increased its legal representation of the BDR Bankruptcy Section, filing responsive pleadings in Federal Bankruptcy Court within the strict time limits of Federal Rules of Civil Procedure. Legal Section began reporting on the number of bankruptcy cases its staff handled for BDR starting with the 3rd quarter. In this brief period, Legal Section made effective responses to the debtor or the Trustee's challenge to the Tax Collector's claim in 19 cases. If no action had been taken, the debt would have been legally discharged and never paid. Intervention by Legal Section prevents creditor claims from being nullified.

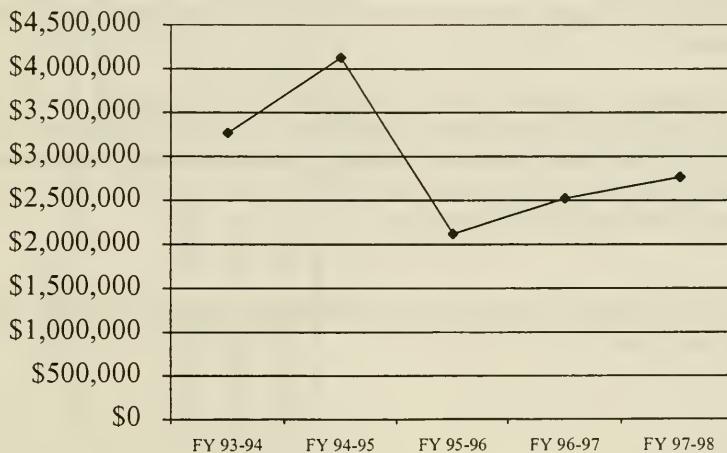
The table and graph following provide a comparison of FY 97-98 Legal Section activities with those of prior fiscal years.

Legal Section – Statistical Activity

Type of Activity

	FY 93-94	FY 94-95	FY 95-96	FY 96-97	FY 97-98
Complaints Filed	15	9	0	7	9
Abstracts Recorded	14	7	3	9	2
Total Dollar Recovery	\$ 3,266,499	\$ 4,128,117	\$ 2,116,817	\$ 2,520,749	\$ 2,763,001

Legal Section – Collections



TAXPAYER ASSISTANCE SECTION

The Taxpayer Assistance section was inaugurated in August 1996, with the major goal of offering a centralized source of help and information for the taxpayer. The net effect has been fewer phone calls and walk-in traffic to other sections, allowing other employees to focus on more complex tax collection assignments.

Nearly 33,000 taxpayers visited the Taxpayer Assistance unit in FY 97-98, a 48% increase compared to 22,350 assisted in FY 96-97. Taxpayer Assistance Officers answered 57,975 calls, including 28,339 regarding Business Tax and 26,015 for Real Estate matters. Nearly 11,000 applications were processed for new business owners (a 7% increase over the 10,267 processed during the prior year).

Taxpayer Assistance Section has set a quality standard for response to telephone contacts. Twenty (20) seconds has been set for a taxpayer assistance officer to come on line and assist the taxpayer. During peak periods, this goal has been more difficult to meet because of heavy phone traffic. Nevertheless, roughly 190 respondents to a quality survey indicated a high level of client satisfaction. "Speed of service" received an "excellent" rating from 75% of respondents while 80% gave "overall service" the same high rating.

During the third quarter, Licensing activities, formerly performed by this section, were transferred to the Real Estate unit of the Property Tax Section. Included among these activities was responsibility for collection of the Rent Stabilization and Arbitration fee. [This fee now appears on the secured property tax bill.]

In-service training to enhance the quality of taxpayer assistance is an on-going effort. Taxpayer Assistance managers use a sophisticated monitoring system to track the volume of telephone traffic from moment to moment. The most recent 128 calls are sampled to determine whether the 20 second standard is being met. When managers observe that calls are waiting for a longer period of time, additional taxpayer assistant officers are shifted into the phone bank to handle the larger call volume.

This unit will continue to focus on the goal of improved accuracy of information and to respond to taxpayers in a pleasant and timely fashion. The members of the unit will continue to develop and acquire increased expertise in hands-on utilization of the various computer applications used in each of the other sections and will continue networking with other sections, other City departments, and other state and federal agencies.

The table following provides a comparison of FY 97-98 Taxpayer Assistance activities with those of prior fiscal years.

Taxpayer Assistance – Statistical Activity

Description	Counter/Reception Activity			Phone Bank Activity			Business Tax Applications Processed		
	Current Yr.	Prior Yr.	% Diff.	Current Yr.	Prior Yr.	% Diff.	Current Yr.	Prior Yr.	% Diff.
Business Tax Section	20,176	13,158	53%	28,339	16,236	75%	10,945	10,267	7%
Real Estate Section	5,933	5,855	1%	26,015	14,754	76%	N/A	N/A	N/A
License & Other Sec.	6,884	3,337	106%	3,621	2,249	61%	N/A	N/A	N/A
Grand Total	32,993	22,350	48%	57,975	33,239	74%	10,945	10,267	7%

ACCOUNTING SECTION

This section was developed during the year to address such tasks as reconciliation, batching, balancing, and correct posting of all payments for property taxes, business taxes and licenses. It is also responsible for the reconciliation of all credits applied to the various business tax accounts. The Tax Collector's goal in this reallocation of resources is to increase accounting efficiency and to provide better service to taxpayers. The role of this unit continues to evolve.



The table following provides statistical information concerning Accounting activities for the first year of this new section.

Accounting Section Statistical Activity

Description	Units Processed	Payments Reconciled
Property Tax Payments	366,000	\$ 617,277,747
Business Tax Payments	146,000	423,114,544
License Payments	44,000	7,930,754
Redemption Payments	3,300	15,733,686
Installment Payments – Property	1,400	2,635,555
Stadium Tax	23	2,828,382
Roofer Tax	84	26,000
Total	560,807	\$ 1,069,546,668

83 Acknowledgments 83

Grateful thanks and appreciation go to the following individuals, including section managers, who have contributed time, information and effort to the preparation of this report:

Tax Collector	Richard A. Sullivan
Chief Assistant Treasurer	David Tseng
Deputy Tax Administrator	Willie H. Ross
Chief Investment Officer	Daniel P. Daly
Special Assistant to the Tax Collector	William Quong
Special Assistant to the Treasurer	Minda Ballete
Special Assistant to the Treasurer	Jay Banfield
Special Assistant to the Treasurer	Deb Dubin
Legal Section	Robert Fletcher
Administration Section	Gail D. Hemenway
Taxpayer Assistance/Licensing Section	Anita Jin
Cashier Section	Sonia Martinez
Property Tax Section	Charles Huff
Bureau of Delinquent Revenue and In- vestigations Section	Francis Nguyen
Business Tax Section	Florence Mar
Editor	Patrick Sha
	Gail D. Hemenway
	Susan Leal
	Treasurer

Office of the Treasurer & Tax Collector

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(Until January 4, 1999)

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(After January 4, 1999)

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San Francisco, California 94102

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[“www.ci.sf.ca.us/tax/index.htm”](http://www.ci.sf.ca.us/tax/index.htm)

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↔ Other Important Numbers ↔

General Tax Assistance: 554-4400

Assessment Appeals Board: 554-6778



Annual Report

Fiscal Year

1998-99

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TREASURER & TAX COLLECTOR
CITY AND COUNTY OF SAN FRANCISCO

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INTRODUCTION & STATEMENT OF PURPOSE

The Office of the Treasurer & Tax Collector serves as the banker, collection agent, and investment officer for the government of San Francisco, the only combined City and County in the State of California. The Treasurer, an elected office created by the City Charter in 1850, supervises a department of eleven sections that receives over \$5.8 billion and disburses over \$5.6 billion annually.

The Treasurer works with all City departments to ensure that funds are received and deposited as quickly as possible, so as to provide maximum interest and investment returns for the people of San Francisco. She also manages the City's portfolio of pooled funds and disburses payments on its General Obligation municipal bonds. Each month, she submits a report of investments to the Mayor, the Board of Supervisors, and the Controller.

In July 1979, a charter amendment added the office and duties of Tax Collector to the Treasurer's responsibilities. Tax Collection units collect the property taxes, business taxes, and license fees that are the number one revenue generator for San Francisco, processing over \$2 billion each year. More than 300,000 property owners and 74,000 businesses paid taxes to the City this year. Additionally, the Department investigates and collects overdue tax bills.

In addition, the Treasurer monitors the City's bank accounts on a daily basis and negotiates contracts with local banks for various account, lockbox, and credit card services. Other services that the Office of the Treasurer & Tax Collector provides for other City departments include financial wire transactions, the collection of delinquent debts to county-operated hospitals and other departments, and the collection and processing of many different types of revenue at the new City Payment Center in City Hall.

This report covers the fiscal year 1998-99, ending June 30, 1999, and contains information from each operating section with statistical data on performance.

MAJOR INITIATIVES

FISCAL YEAR 1998-99

- **Creation of the City Payment Center in City Hall.** For the first time, financial transactions and taxpayer information in San Francisco have been consolidated into one convenient location. Customers who visit the City Hall location can not only pay their taxes at the Cashier windows, but also find information and answers to their inquiries from Taxpayer Assistance, buy Muni and other transit passes, pay their Water Department bills, and register their businesses. In the last few months of 1999, we will add more features for increased customer convenience, including passport processing and an Automated Teller Machine.
- **Review of City's banking practices.** Last year, Treasurer Leal initiated a comprehensive review of the bank accounts held by all City departments. Hundreds of unauthorized or unnecessary accounts were identified. Following this investigation, the Treasurer has worked with each department to reconcile its accounts and establish the purpose of each. Redundant or superfluous accounts were closed or consolidated, and the Office of the Treasurer & Tax Collector established clear oversight over the creation of any new accounts. By completing this review and reducing the average balance held in City accounts, the Treasurer was able to move more funds into the investment portfolio and the General Fund, drastically reducing banking fees paid by San Francisco while increasing interest revenue.
- **Merger of Cashiering units.** To eliminate redundancy and increase flexibility, the Treasury Cashiering and Tax Collector Cashiering units were restructured and merged. This helped the Department to process an increased number of transactions this year without increasing personnel.
- **Coordinated Outreach Efforts.** Treasurer Leal has placed an increased priority on community outreach efforts by the Department. Efforts have included:
 - ◊ Translating and disseminating more materials in Spanish and Chinese
 - ◊ Cosponsoring small business community events
 - ◊ Organizing neighborhood merchant walks
 - ◊ Placing advertisements featuring upcoming tax and fee deadlines in community newspapers, including Spanish- and Chinese-language papers.
 - ◊ Developing a Department website with useful information and other content
- **Replacement of existing Cashiering computer system.** The computer system in use by the Cashiering sections was not Y2K compliant. A Request for Proposals was issued in July 1998, and the new system is presently being installed in phases beginning in June 1999 with the processing of Water Department payments. It will provide major benefits for the Department in imaging capability, consolidation of payment data to facilitate research, and an increased capacity for payments.

**OFFICE OF THE TREASURER &
TAX COLLECTOR**

SECTIONS

CITY PAYMENT CENTER



VITAL STATISTICS

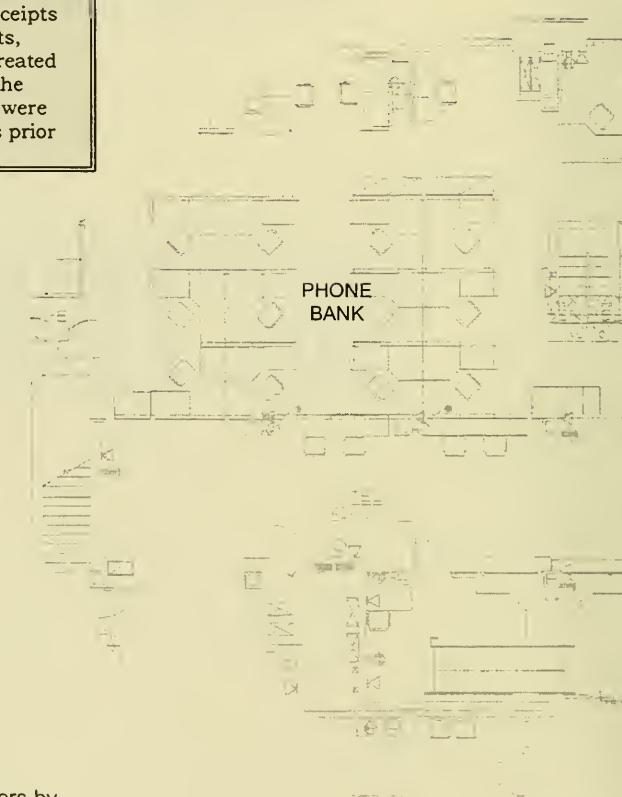
No. of Staff: Information Counter - 5
Taxpayer Assistance - 11

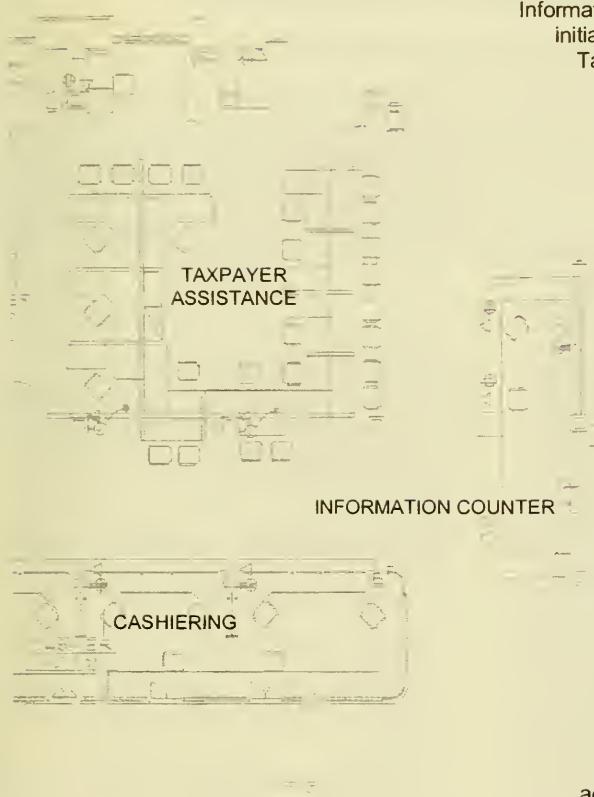
- Taxpayer Assistance (TPA) helped 64,765 taxpayers through the application process and other related business tax functions this fiscal year, a substantial increase of 19% over the previous year.
- Additionally, TPA assisted more than 5,400 property owners who came into the office to pay their property tax bills.
- The annual Business Gross Receipts and Payroll Expense Statements, which were due in February, created the largest volume of calls for the entire year. The heaviest calls were logged during the last five days prior to the due date.

In January 1999, Treasurer Susan Leal unveiled San Francisco's **City Payment Center** within the historic and newly restored San Francisco City Hall. The City Payment Center and Information Counter provide a consolidated payment and information facility where taxpayers can make a wide array of City transactions in one place and receive customer-friendly guidance and direction regarding all City transactions, tax ordinances and outstanding City obligations.

The mission of the City Payment Center is:

1. To collect and process all City payments received from taxpayers by the Treasurer & Tax Collector's Office;





2. To provide substantive information and assistance effectively and expeditiously to taxpayers, other members of the public, and City departments;
3. To promote and perpetuate good public relations as a service-oriented unit.

The City Payment Center consists of three major sections: the Information Counter; Taxpayer Assistance; and Cashiering.

Customers are first greeted and helped at the Information Counter by staff members who provide initial information and assistance. At the Taxpayer Assistance section, customers consult with expert analysts for detailed assistance and advice on local business and property tax, licensing, and fee issues. The Cashiering section operates up to twelve cashier windows to receive payments covering a broad array of transactions.

Information regarding the Cashiering section is listed separately in this report.

INFORMATION COUNTER

The **Information Counter** is staffed during office hours by at least two staff members who are extensively trained in San Francisco's property and business taxes, licenses, and fees. These staff members greet taxpayers as they enter the Treasurer & Tax Collector's Office, assess their needs, and assist or refer customers appropriately, ensuring that their questions and concerns are fully addressed. Special assistants also act as liaisons on behalf of taxpayers with other City & County departments and as resources beyond City Hall, in order to resolve complex situations.

MISSION STATEMENT:

To provide tax information effectively and expediently to taxpayers and other member of the public and city departments; to promote and perpetuate outstanding public relations as a service oriented unit and as the Office of the Treasurer & Tax Collector's prime public contact unit.

Additionally, special assistants conduct outreach to community organizations, neighborhood associations and business groups. Through these efforts, they educate the public about local requirements and promote awareness about City resources available to them.

The Information Counter provides taxpayers with an extensive choice of brochures and publications relating to all major City & County government offices and services, and offers a growing number of materials in Chinese and Spanish.

TAXPAYER ASSISTANCE

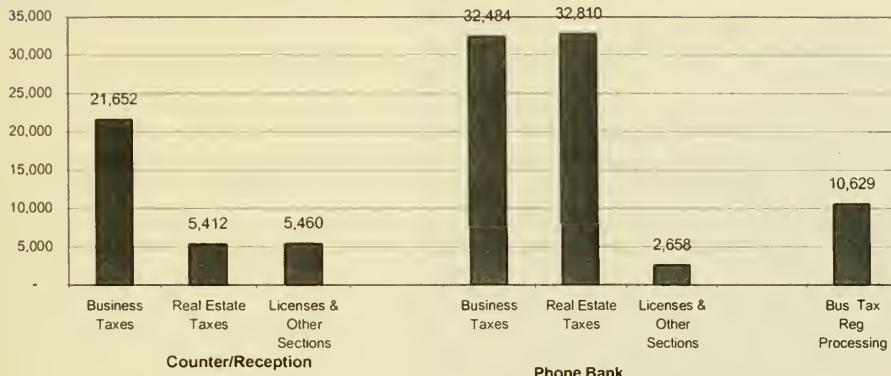
The **Taxpayer Assistance (TPA)** section, located in City Hall Room 140, provides efficient and courteous help to San Francisco taxpayers through a phone bank and one-on-one interaction. Its staff is uniquely cross-trained in all tax procedures used by the City, as well as emphasizing customer service. This section represents the Department's philosophy that customers' needs are important and that the public should receive quality service and accurate information.

Of more than 115 people who responded to a customer survey this year, 93% rated TPA "excellent" regarding the "Helpfulness of Employees," and 90% rated the section "excellent" for "Courteousness of Employees." Eighty-five percent of the respondents rated the overall services as excellent.

Some comments:

- "...was exceptionally helpful and expedient."
- "Keep up the wonderful attitude."
- "Over the years I have found that everyone working in the Tax Collector's office has been courteous, efficient and helpful, and I come in on the 9th or 10th of December and April to pay my taxes."
- "The help we received was excellent. We saved \$50 in accounting fees."
- "Wow! Never been treated so well by a government office. Thank you. Thank you. I was worried when I went to your office - I felt great when I left."

**TAXPAYER ASSISTANCE SECTION
CUSTOMERS BY LOCATION AND INQUIRY
FY 1998-99**



Business tax issues continue to be the primary focus of activities. TPA assisted 64,765 taxpayers through the application process and other related business tax functions this fiscal year, a substantial increase of 19% over the previous year. A large number of calls were requests for duplicate statements and the tax credit worksheets.

Additionally, TPA assisted more than 5,400 property owners who came into the office to pay their property tax bills with duplicate statements, questions regarding their tax statements, and inquiries regarding the Homeowners' Exemption. This was a decline of 9% compared with the prior year. However, the unit logged 26% more calls at the phone bank, demonstrating that customers are taking advantage of TPA's phone service.

HIGHLIGHTS OF FY 1998-99:

During this period, the section, in addition to regular responsibilities:

- Provided orientation and training to five Special Assistants.
- Represented the department at various community outreach events, including the Ethnic News Media Expo, the Professional Business Women's Conference, the Mayor's Small Business Forum, and the Minority Business Trade Fair.
- Designed the Sole Proprietor and Partnership and Corporation Business Taxes Applications.
- Developed an information factsheet for Business Tax Registration Certificate.
- Eliminated four extraneous forms and merged them into one form for efficiency.
- Participated in the Website Enhancement Committee, updating information and adding commonly used forms to the website.

ADMINISTRATION SECTION



VITAL STATISTICS:

No. of Staff: 18

- In FY 1998-99, the Department moved to paperless time reporting accomplished on-line with Payroll and Personnel Services Division.
- The Office of the Treasurer & Tax Collector participates in the Mayor's YouthWorks program, the City-wide Employee Blood Drive, the U.S. Savings Bonds Campaign, and the Combined Charities Campaign.
- Over 130 different forms, statements, envelope types, and informational brochures are tracked and reordered as necessary by the Administration Section.

The **Administration Section** provides centralized support services to the various operating sections of the Office of the Treasurer & Tax Collector, including equipment, personnel, information services, and payroll. The staff of this unit is responsible for the purchasing and inventory of forms, envelopes, and supplies and the

coordination of mailings of various tax statements. In addition, the Administration Section helps to develop the annual budget request by analyzing spending patterns and historical data and making recommendations to senior management. This is accomplished, in part, by careful tracking of expenditures on the citywide FAMIS system.

This unit also prepares numerous ad-hoc reports for the Mayor, Board of Supervisors, and interested citizens' groups. It maintains management information systems, telecommunications, and data processing activities; schedules and/or conducts training as required; and initiates facilities maintenance.

Payroll is prepared biweekly. The Personnel unit conducts hiring campaigns and assists managers in addressing disciplinary matters in a fair and appropriate manner. Personnel staff prepare and process all paperwork for hiring and release from employment, monitor Workers' Compensation cases and monitor compliance with the Americans with Disabilities Act and Affirmative Action.

The Department depends upon the Management Information Services staff to assist them with any computer or telecommunications problem. This subunit works closely with the Department of Telecommunications and Information Services to ensure that the needs of the Department are met. This includes projects from troubleshooting computer errors to installing extensive new data systems.

Two major physical moves took place this year. Most operating sections returned to the newly retrofitted and refurbished City Hall in January 1999. The remaining units, Business Tax and Legal sections, moved in March to 401 Van Ness Avenue. It was a particular challenge for the Information Services staff to make sure that all critical systems were operative on the first day of return. MIS staff members Darrell Ascano and Emily Taber jointly received the Department's Employee Recognition Award for their superior efforts.

- During the Department's move from 875 Stevenson Street to City Hall this year, MIS staff transported **160** desktop PCs, **30** printers, and **5** Mainframe Terminals.
- In addition, **65** desktop PCs, **8** Printers, and **2** NCR Machines were moved from 25 Van Ness Avenue to 401 Van Ness for the Business Tax and Legal sections.

All machines were successfully connected to the Local Area Network and functioning as scheduled.

BUREAU OF DELINQUENT REVENUE



VITAL STATISTICS:

No. on Staff: 46

- In addition to unpaid taxes, BDR also collects delinquent accounts for San Francisco's two county-owned hospitals and many other city departments.
- Each collector in the General Collections Unit handles an average inventory of 20,000 accounts. The Bureau uses an automatic notice process and, when necessary, an outside collection agency to deal with this volume.

Bureau of Delinquent Revenue (BDR) is the official collection arm of the City and County of San Francisco. It is authorized to collect all accounts receivable over \$300 and at least 90 days overdue for various City and County departments, including San Francisco General Hospital, Laguna Honda Hospital, Department of Public Works, City Attorney, Fire Department, Mayor's Office of Community Development, and the Water Department.

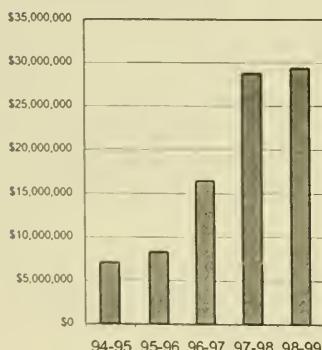
BDR experienced substantial changes in fiscal year 1998-99 in terms of new procedures, personnel, systems, and collections. Yet, despite all these transitions, BDR surpassed last fiscal year's collection figures by 5.9%, reflecting an outstanding performance by its staff members.

BDR uses automated collection software from Columbia Ultimate Business Systems (CUBS), to ensure that all assigned accounts are followed up on a timely basis and in accordance with approved and legal methods. The unit's objectives are: to educate the public as to their responsibilities, to thereafter work with customers to elicit payment consistent with their ability to repay the debt, to maintain the goodwill of clients and the dignity of customers, and to allow no unreasonable demands upon any person.

BDR collection activities include, but are not limited to:

- Telephone contact with customers who are in default of payment plans.
- Notices sent to customers informing them of outstanding debts.
- On-line access to customer's credit reports through Esperian (a.k.a. TRW).
- Direct access to EDD earnings and wages statement.
- Production of monthly delinquent reports.
- Annual participation in the Franchise Tax Board Tax Offset Program.
- On-line access to Dept. of Motor Vehicles information.
- Postjudgment execution, including wage garnishments and bank account levies.
- Imposition of liens on real property.
- Holds on escrow proceedings pending clearance.
- Bankruptcy-related filings.
- Direct access to legal counsel of the Tax Collector.

BUREAU OF DELINQUENT REVENUE TOTAL COLLECTIONS



BDR is comprised of Collections, Investigations and Clerical Units. Within Collections, there are three subunits: General Collections, Escrow & Bankruptcy, and Clearance/Business Tax. Investigations also consists of three subunits: Compliance, Enforcement and Third Party Taxes.

COLLECTIONS

General Collections

General Collections (formerly the Medical Unit) processes all delinquent accounts referred to the Tax Collector under Section 10.38 of the Administrative Code. The bulk of this service comes from San Francisco General Hospital and Laguna Honda Hospital. Therefore, our collectors are highly trained and experienced in the management and control of installment payment plans.

Within this unit, overall collections increased by 21.80% over FY 97-98. This is especially significant since the staff did not have the benefit of a fully functional outside collection agency, which had historically supplemented our collections.

Last year, the unit began to process credit card payments for SFGH bills. During this fiscal year, credit card charges totaled approximately \$59,517.

Escrow and Bankruptcy

The Escrow and Bankruptcy unit conducts thorough research, compiles data, and files timely claims in escrow or bankruptcy proceedings.

Despite the fact that the number of claims filed remained constant (approximately 700 - 800 claims filed each year), collections decreased slightly in this fiscal year to \$2,960,726, compared to \$3,504,655 the previous year. Factors causing this minor decrease were ongoing problems with Unsecured Personal Property (UPP) assessments, and on-going cross-training of our collectors.

Clearance/Business Tax

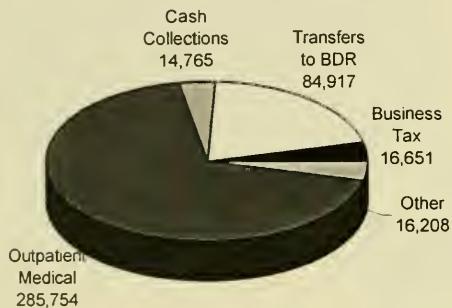
The Clearance/Delinquent Business Tax Unit provides in-house collection of business-related taxes. This unit underwent a merger in 1997 and took on the responsibility of collecting UPP taxes in 1997-98. Additionally, the staff now assists customers at an information counter in the new City Hall offices. Despite these changes, this unit managed to increase its collections by 122.97% from \$14,406,805 in FY 1997-98 to \$17,593,013 in FY 1998-99. In addition, the delinquency rate of UPP taxes, as reported to the State Controller, was 3.5% in FY 1996-97, 2.29% in FY 1997-98, and is presently 2.94% in this fiscal year.

The mission of Bureau of Delinquent Revenue is:

To serve the City and County of San Francisco as the point of expertise in all collection matters; to recover debts accrued; to enforce the local ordinances and achieve compliance thereof. To balance this commitment with providing efficient, effective and equitable service and support to the public and business communities so that they may accept their responsibilities.

Improvements to the Business Tax System (BTS) enabled collectors to document work performed and to communicate the status of the account with other sections. As a consequence, there has been a considerable reduction in overlapping activities.

BUREAU OF DELINQUENT REVENUE TOTAL NO. OF ACCOUNTS RECEIVABLE FY 1998-99



INVESTIGATIONS

The Investigations unit ensures that taxpayers comply with City and State tax provisions, and operates in support of all sections in the Tax Collection Division. Investigations is responsible for a wide range of enforcement activities, such as surveys, surveillance, Small Claims filing, post-judgment execution, seizures, summary judgments, FTB Offsets, complicated accounts, citations, business tax and UPP liens, and judgment renewals.

This unit has experienced significant restructuring over the past year and a half. Much of this fiscal year entailed implementing new procedures and standards as well as providing the investigators with the necessary tools to work more effectively.

Compliance

This unit is responsible for conducting surveys of unregistered businesses in San Francisco, filing summary judgments on UPP taxes, and handling liens filed and releases thereto.

The Investigations section conducted 10,814 surveys in FY 1998-99. Of these surveys, 21% of the businesses were unregistered. Further, less than 3% of these unregistered businesses would be required to pay taxes, as most can claim the Small Business Exemption.

While only 8 summary judgment accounts were reported filed, there were several accounts that were issued notices and paid a total of \$19,720 prior to the actual filing.

Enforcement

The Small Claims function, formerly handled by senior collectors and utilized only for medical debts, was recently transferred to Investigations and centralized into a new subunit. Consequently, \$1,038,505 was generated by investigative activities this fiscal year, a tremendous increase compared to previous years. Investigative and enforcement activities performed in 1996-97 generated \$14,505 and in 1997-98, \$8,684. Without a doubt, this evidences a tremendous improvement as well as an outstanding job by the staff of this unit.

BDR works to provide "Triple E" service

- We hold to Fair Debt Collection Practices Act standards to make us more **Efficient** in our collection.
- We endeavor to combine innovative ideas with fundamental collection techniques as we improve our **Effectiveness**.
- We work together cooperatively, treating each other and the customers with the professionalism and respect dictated by **Equity**.

In FY 1998-99, BDR reviewed approximately 200 accounts in judgment inventory for renewal or abandonment. While this review was being performed, 88 new Small Claims filings were completed, generating \$114,642. Additionally, 64 post-judgment executions were conducted, generating \$57,323.

The Business Tax Ordinance was amended recently to enable investigators to issue citations against the most flagrant tax violators. The City Attorney is assisting in development of related policies and procedures. The investigators received citation training conducted by the Police Department's POST Academy with the consent of the Police Chief.

Third-Party Tax Investigations

This unit enforces rules and regulations relating to third-party taxes, including, but not limited to, parking, hotel, stadium, utility, and roofers' fees. A new Principal Investigator was hired recently, and the unit's goals, objectives, and performance measures are being analyzed.

CLERICAL

This subunit, which is responsible for providing all clerical work for the various units of BDR, was restructured this year, with a new 1408 Principal Clerk assigned supervisory duties. This has allowed the section to balance workload more evenly.

Further, due to the relocation back to City Hall, the volume of walk-in inquiries has increased. This unit now provides initial screening of the customers and determines which section or employee is most appropriate to resolve issues. Counter coverage is provided on a rotational basis within this unit. The subunit has set a goal that each clerk will be cross-trained to handle and/or assist with any unit that is in need of their services.

HIGHLIGHTS OF FY 1998-99:

- The entire front line level collection staff was recently given a classification upgrade from Collection Officer to Senior Collection Officer. This is testimony to the knowledge, abilities, and skills of our employees.
- The CUBS system was enhanced to Win2000 and Collector NT, thereby increasing its speed by 20%, enhancing archive capabilities, improving file transfers, and allowing for better peripheral access.
- Due to a recent change in state code, California counties are now allowed to collect liens in third-party cases in which Medi-Cal is involved, on the pre-condition that the State is reimbursed its Medi-Cal payments. In its first year, BDR has collected more funds than the amount received from Medi-Cal in all the cases it has pursued.
- BDR took over the responsibility of participating in the Franchise Tax Board Offset program. This fiscal year, a record 513 accounts were submitted totaling \$8,453,341 in receivables. Only 5 months into the program, 68 accounts were offset, generating payments of \$16,074.
- Various staff members received the following training: Department of Justice - Interviewing & Interrogation, Courtroom Testimonial & Demeanor, and Investigative Report Writing; S.F. Police POST Academy - Citation Training; ACFE - Finding & Investigating Fraud; Pacific Bell - Customer Service; Superior Court - Small Claims & Judgment Collection.
- BDR issued a Request for Proposals on Delinquent Collections in November 1998. J.J. MacIntyre Co. was awarded the contract, and negotiations should soon be finalized.
- BDR submitted its own proposal to provide collection services for the Municipal and Superior Courts after achieving a 50% recovery rate on test accounts.



BUSINESS TAX SECTION

VITAL STATISTICS:

No. of Staff: 48

- The Treasurer & Tax Collector's Office is responsible for the issuance, receipt, processing, and management of over 74,000 Annual Business Receipts and Payroll Tax Statements; 74,000 Annual Registration renewals; 16,000 Prepayment Tax Statements; 3,000 Hotel Tax Statements; 1,200 Parking Tax Statements; and 1,800 Utility Tax Statements.
- Business tax collections had an overall increase of approximately 1.4% for FY 1998-99.
- For the 1998 tax year, 337 businesses claimed a total of \$4,317,954 in tax credits.

The **Business Tax Section** reviews and processes business registrations, prepayments, and annual and quarterly tax filings. The Audit Unit within the section performs periodic audits in order to promote voluntary taxpayer compliance with the City's tax ordinances. It maintains taxpayer accounts and files on the automated Business Tax System (BTS) and provides various City departments with information for economic planning and forecasting.

Business Tax Services Unit

The Business Tax Services Unit was created in 1995 to relieve the audit staff from supervising and performing accounting duties. It provides better accountability and consistency in the performance of the various accounting functions of the section. The staff perform all necessary accounting transactions and postings to taxpayer accounts on the Business Tax System (BTS), record various tax and fee obligations, adjudicate waiver requests, and analyze taxpayer accounts.

During FY 98-99, in response to the expansion of the Business Tax Services Unit's responsibilities and volume of work, three Senior Accountant positions were created. One Senior Accountant and two Accountant Interns were hired. They have been assigned the responsibilities of administering the third party taxes, the tax credits, refunds, and the preparation of internal management reports. The upgrading of accounting staff is expected to improve the quality, efficiency, and service to taxpayers, generate more City revenues, and provide better accountability.

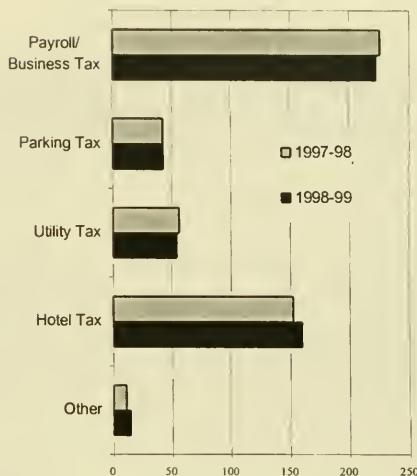
Since the current Business Tax System (BTS) has reached the end of its life cycle, the Department hired a consultant to research possibilities for a replacement system. Senior staff was invited to

The Business Tax Section is responsible for implementing the following tax ordinances in the City and County of San Francisco Municipal Code, Part III, Revenue and Finance:

Article 6	Common Administrative Provisions
Article 7	Transient Occupancy Tax
Article 9	Parking Tax
Article 10	Utility Users Tax
Article 10-A	Emergency Response Fee
Article 11	Stadium Operator Admission Tax
Article 12-A	Payroll Expense Tax Ordinance
Article 12-B	Business Tax Ordinance
Article 12-B	Registration Fee
Article 12-B	Roofers Vehicle Tag

BUSINESS TAX COLLECTIONS

(millions of \$)



two demonstrations of possible new systems. The staff is presently reviewing these potential systems. Additionally, the unit worked with DTIS to test the present BTS for Y2K compliance and ordinance change updates.

337 businesses claimed a total of \$4,317,954 in tax credits for tax year 1998. This is a 25% increase in the number of businesses claiming the four City tax credits. In December 1998, the Board of Supervisors approved the Surplus Business Tax Revenue Credit as a result of the favorable 1998 financial climate and the City's revenue surplus. This one-time \$500 credit benefited all taxpaying businesses.

The section presented several tax credit presentations and outreach workshops to taxpaying, CPAs, and accounting professionals. In addition, it provided training workshops to familiarize Treasurer & Tax Collector's Office staff with current tax events and developed relevant tax material handouts to provide quality customer service.

Audit Unit

The Audit Unit is responsible for performing business tax compliance audits with the City's tax ordinances. The audit goal is to encourage voluntary taxpayer compliance and to promote wider awareness of our audit program, balanced with the goal of revenue maximization. The audit staff performed a total of 730 audits and billed \$3,649,902 in audit deficiency billings during FY 98-99. This year the audit staff increased the number of hotel tax compliance audits. The audit staff performed 54 hotel tax audits, a 116% increase, during FY 98-99.

Audit goals and selection policies were changed to meet the recommendations of the Budget Analyst, which included the following:

1. At least 15% of annual audits are selected to achieve notoriety for the audit program, rather than exclusively for immediate revenue maximization purposes.

2. Audit goal to encourage voluntary taxpayer compliance is balanced with the goal of revenue maximization.
3. Unregistered business accounts and delinquent accounts are first referred to the Bureau of Delinquent Revenue rather than immediately audited.

During the fiscal year, the Audit Unit was reorganized and the audit staff was reassigned among the Principal Auditors as recommended by the Budget Analyst's Management Audit Report. One of the four audit teams was reorganized into a Desk Audit Unit responsible for compliance examination in the office. Another audit team has been structured to perform out-of-state audits with a concentration on utility tax audits.

In July 1998, the audit unit performed 38 out-of-state audits that generated approximately \$900,000 in audit deficiency billings. At the end of FY 98-99, it is preparing for out-of-state audits again with a concentration on third party tax audits.

The staff drafted several new Business Tax regulations for approval by the Business Tax Board of Review. The Board of Review approved four regulations regarding the Garment Manufacturers' Tax Credit, New Jobs Tax Credit, Surplus Business Tax Revenue Credit, and the Telephone Users Tax. The new regulations along with the other Tax Collector rulings and regulations are being compiled to produce a Tax Collector Regulations publication. The publication will be distributed to staff and available to the public after departmental review and approval.

The unit also brought in an outside consultant to help develop an audit procedures manual. Staff provided considerable time and input discussing current audit practices and formulating standardized audit procedures. An outline has been completed for approval with a prototype anticipated in the next fiscal year. When the audit procedures manual is completed, the consultant will provide classroom training regarding the audit procedures to the audit staff.

TAX CREDIT FILINGS TAX YEAR 1998

Type of Tax Credit	No. of Firms Filing	Total Credit
Enterprise Zone	12	\$ 13,378
New Jobs	248	\$ 3,715,612
Summer Youth	2	\$ 121
Garment Manufacturer	75	\$ 588,843
TOTAL (Annual Credits)	337	\$ 4,137,954
Surplus Bus. Tax Revenue	7,879	\$ 3,939,500

Tax Ordinance Amendments

During Fiscal Year 1998-99, staff from the Business Tax Section and the City Attorney's Office participated in working sessions set up to draft new legislation that would correct sections in the original January 1998 tax ordinance revisions, propose a new penalty structure, and clarify certain municipal code sections. Twelve proposed sections of Part III of the Municipal Code were submitted to the Board of Supervisors for approval. The Board approved these twelve sections of the municipal code in April 1999.

Some of the changes to the tax ordinances:

- ◆ Penalties for failure to pay and the underreporting of taxes were changed from 20% penalty to 5% penalty per month, up to 20% penalty in the aggregate.
- ◆ Negligence penalties for failure to register are now equal to the registration fee and a \$100 penalty may be assessed for each failure to file a return. A \$500 penalty may be assessed for each failure to allow a full inspection of records.
- ◆ The requirement that a taxpayer file a verified claim in writing stating the grounds upon a claim for refund is founded is waived when the Tax Collector determines that a taxpayer has overpaid his obligation or when the tax has been erroneously collected.
- ◆ A "garment manufacturer" is defined and the municipal code is clarified so that a garment manufacturer may claim the tax credit in the taxable year.



VITAL STATISTICS:

No. of Staff: Tax Cashiering - 11
 Treasury Cashiering - 7
 Accounting - 8

- In FY 1998-99, disbursements totaled \$5.7 billion, resulting in a June 30, 1999 cash and equity balance of \$3,008,158,481.
- In FY 98-99, approximately 40,000 cash transaction lines posted to the depository accounts were separately matched and reconciled to the same number of entries on the bank statements.
- Tax collections increased from 1.392 billion in FY 1997-98 to 1.468 billion in FY 1998-99, an increase of 75.8 million or 5.4%. The number of items processed also increased, from 575,019 in FY 1997-98 to 593,573. The result was an increase of 18,554 transactions or 3.2%.

The **Treasury Cashiering, Tax Cashiering, and Accounting Units** receive, process, and reconcile much of the City's money intake, including all tax revenue. As the City's banker, the Treasurer & Tax Collector's Office processed approximately \$5.8 billion in receipts in fiscal year 1998-99. The units directly interact with the public, banks, and auditors from the Office of the Controller on a daily basis.

In the past year, Treasury and Tax Cashiering Units have begun to merge in order to better serve the citizens of San Francisco. The merged Cashiering Section has already:

- (a) replaced three old NCR Remittance Processing Systems with two new, faster, and Y2K compliant systems,
- (b) purchased 12 new Cashiering Stations,
- (c) begun offering Municipal Railway and BART transportation tickets at the new City Payment Center in City Hall.

TREASURY CASHIERING SECTION

The primary objective of the Treasury Cashiering Section is to process and account for the receipt of collections, departmental deposits, and disbursements by the close of the same business day. These functions are completed in compliance with audit standards on a quarterly basis, with internal controls being achieved in conjunction with the Department's Accounting Section.

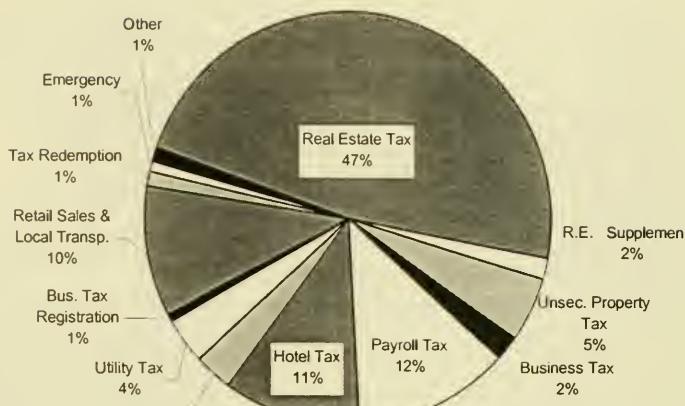
Detailed responsibilities of the Treasury Cashiering Section include:

- Processing and accounting of all City and County monies and checks, through direct bank deposits, mail center, electronic fund transfers,

Cashiering Mission:

To receive, account, process and deposit all payments for taxes, licenses, and other revenues in an efficient and expedient manner. In addition, to render high quality services to departments, residents, businesses, and visitors.

COLLECTION TOTALS FY 1998-99



federal reserve wires, lockbox operations, credit card transactions, bank adjustments and transactions at the City Payment Center.

- Payment of all Controller warrants through the Department's Clearinghouse Bank.
- Reconciliation of the above receipts and disbursements with total cash, on a daily basis.
- Reconciliation on a daily and monthly basis of the Treasurer's checking accounts.
- Daily input to and detailed reconciliation of FAMIS reports.
- Reconciliation of Cashier window intake on a daily basis.

Internal controls are achieved by division of duties among the Department's receiving cashiers, vault cashiers, paying cashiers, reconciliation cashiers and clerks and accountants.

TREASURY CASHIERING / BANKING SERVICES STATISTICS FY 1998-99

Description	Amount
Total Citywide Receipts	\$5,838,921,335
Total Taxes Collected	2,084,758,158
Departmental Deposits (through the Treasurer)	1,334,833,636
Wires/Electronic Fund Transfers (EFT)	2,419,329,541
Total Citywide Disbursements	5,680,972,898
Citywide Disbursements	4,426,441,263
Disbursement Wire outs	1,254,531,635
Port Lockbox	20,617,368
Stop Payments	3,109,357
Credit Card Wires	4,261,407
Non-Sufficient Funds (NSF)	6,744,551
Number of Checks Deposited with the Banks	3,380,828
Number of NSF Checks Returned	6,451
Number of NSF Checks Recleared	10,131

TAX CASHIERING SECTION

The Tax Cashiering Section collects and processes transactions with the public for many different types of payments, including tax payments by mail, by phone, or on a walk-in basis. Tax collection receipts and other City department receipts are received for processing through the NCR remittance processing system for direct bank remittance. These procedures provide early deposit of receipts plus reduced bank charges.

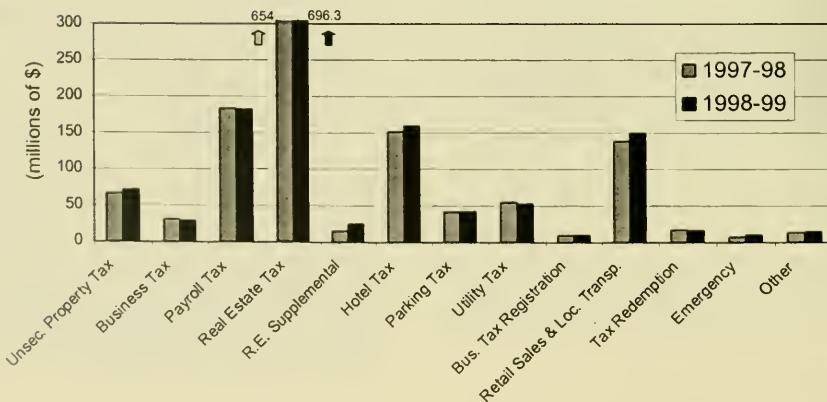
Fiscal year 1998-99 has been a busy and challenging year for the unit. Some of the events of the year included the move back to City Hall from the Stevenson St. location and the implementation of acceptance of water payments and transit sales.

The opening of the City Payment Center, concurrent with the Department's move back into City Hall, has brought several opportunities for great improvements in services and efficiency. For example, since the inception of the Transit Sales Program in January 1999, sales of transit passes have increased substantially. This increase was due in part to increased public awareness of the availability of transit items at City Hall and to the implementation of the Commuter Check Program for City employees. Also, deposits from other city departments, such as Assessor/Recorder, Parking and Traffic, and County Clerk are now handled by the Tax Cashiering Section at a special window designated for this purpose. Departmental Deposits for Fiscal Year 1998-99 totaled 1.33 billion dollars.

Payments by credit card showed a significant increase from the previous year. Both by phone and over the counter, payments increased from \$2.33 million last fiscal year to \$3.5 million this year. Additionally, the transaction count rose to 1,765 credit card transactions, versus 1,395 the prior year.

A new procedure directing immediate generation of payment stubs for Business Tax Registration payments has drastically reduced the amount of items handled by Check Control. New business applications initiated by TPA and Escrow represented the majority of items handled.

TAX COLLECTION TOTALS



Treasurer's Group of Accounts FY 1998-99

Balances as of June 30, 1999

Treasurer's Cash on Hand	\$	6,780
<u>Cash in Bank</u>		27,642,303
Total Cash		27,649,083
Non-Pooled Investments (GL103)	\$	310,633,640
Non-Pooled Investments (GL104)		1,238,081,178
Pooled Investments		1,431,794,580
Total Investments (FAMIS Book Value)		2,980,509,398
Bequests Securities Held for Safekeeping	\$	521,433
<u>Lease Deposit Securities Held for Safekeeping</u>		3,227,943
Total Assets Held for Safekeeping		3,749,376
GRAND TOTAL		\$ 3,011,907,857

ACCOUNTING UNIT

The Accounting Unit provides accounting and support services to the Treasury Division and, to some extent, the Tax Cashiering Division. The two primary goals of the Accounting Unit are: to provide adequate internal control systems to safeguard the City's assets (specifically in the areas of collection, handling, disbursing and investing cash and securities); and to assist the Treasurer in improving the Department's efficiency and productivity.

In order to provide and maintain adequate internal control systems, the Accounting Unit does daily and monthly reconciliation of cash and bank accounts and also records, reviews, and approves cash transactions on the FAMIS system. The unit closely monitors collections, deposits, safes, investments, and other related financial activities that involve cash and securities.

The unit has been given responsibilities including input to budget preparation, expenditure tracking, appropriation payment requests, purchasing, statistical reports, data processing services and equipment and facilities maintenance of the Treasury Division. Under various provisions of City and department procedures, City codes, and state and local court orders, the Accounting Unit is also responsible for the administration of receipts, deposits and remittance of absent heirs funds, coroner's unclaimed funds, street improvement bonds and deferred payment settlement claims. Additionally, the unit handles safekeeping functions for bequest and lease deposit securities to the City.

A newly organized group within the Accounting Unit performs a reconciliation of all tax payments received through the Tax Cashier's section. All payment types are included within their process. In addition, the section allocates the payments between tax years and tax types. This group was established and given these responsibilities in May 1999.

TAX CASHIERING SECTION HIGHLIGHTS FOR FY 1998-99

- The Cashiering Section now accepts the payment of Water Bills in the City Payment Center. The implementation of remittance processing for Water Bills is scheduled for July 1999.
- The Remittance Center was successfully moved from the Stevenson Street location to 401 Van Ness Street. This location is more spacious, and is convenient and accessible for the staff who work between this site and City Hall. Additionally, the proximity to other departments, i.e. Business Tax and Legal, is beneficial.
- The cashiering windows now offer transit passes for sale, including Muni passes and tokens, BART passes and Golden Gate Transit tickets. This program has been very successful and popular with the public: sales have increased by 161.1% in the first six months.
- The installation of the new ItemAge computer system in the historical section of the Tax Cashiering Department was completed in time for the April property tax collections. This allowed additional cashier windows to be available for the increased activity during this time.

INVESTMENT DIVISION



VITAL STATISTICS:

No. of Staff: 7

- The Treasurer executed \$25.1 billion in investment transactions in FY 1998-99.
- The Investment Division implemented 651 outgoing Federal wire transactions valued in excess of \$2 billion.
- The Treasury does not own any stocks or bonds. Instead, the City's accounts (excepting pension funds) are invested in commercial paper, bank notes, banker acceptances, Federal agencies, and U.S. Treasury notes.
- Yield Comparisons FY 98-99
 - S. F. Cty. (Pooled)** **5.869 %**
 - Avg. 90-day U.S. T-Bills 4.587 %
 - San Diego Cty. (Pooled) 4.182 %
 - Los Angeles Cty. (Pooled) 5.365 %
 - State Local Agency Fund (Pooled) 5.360 %

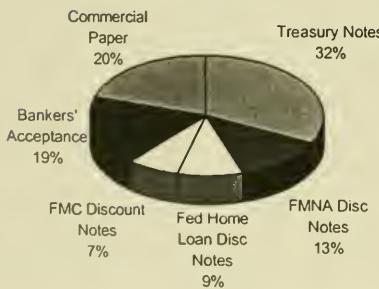
The chief purpose of the Investment Division is to administer and control the investment of all monies in the Treasurer's custody that are not required for payment of current obligations. The staff's goal is to maximize interest income while preserving the liquidity and safety of the principal. The Investment Division has consistently demonstrated prudent portfolio management with excellent results.

Direct wire lines maintained by major investment houses enable the Chief Investment Officer to make investments on behalf of the City through rapid, competitive online bidding.

The Cash Managers assist the Chief Investment Officer in administering the cash management and investment policies. The Cash Managers' primary responsibilities include:

- Initiating, analyzing, and modifying cash flow procedures and systems.
- Advising and making recommendations regarding cash management procedures and policies, bank relationships, bond interest and redemption wires, and the bond arbitrage rebate program.
- Ensuring compliance with regulations requiring that all revenues received by City departments are deposited and receipted in a timely manner.
- Assisting the Chief Investment Officer in administering cash management and investment policies.
- Managing the bond and coupon redemption program.
- Preparing and issuing Requests for Proposal (RFPs) for various financial services as required by individual departments.
- Co-administering the bond arbitrage rebate program with the Controller.

INVESTMENTS OUTSTANDING AS OF 6/99



During FY 98-99, the following general obligation bonds reached maturity:

\$20,000,000	Affordable Housing (Taxable) General Obligation Bonds	Series 1999 A
\$20,395,000	Community College Educational Facilities (1997)	Series 1999 A
\$60,520,000	School District Educational Facilities (1997)	Series 1999 B
\$16,845,000	Zoo Facilities (1997)	Series 1999 C

These bonds were fully registered in the name of Cede & Co. as nominee of the Depository Trust Company and are available to the ultimate purchasers only under the book entry system.

The Investment Division also monitors and invests all City funds that flow through the remittance processing system by electronic access. All funds are transferred by Fed-wire to the City's primary bank accounts for disbursement by the Controller or investment by the Treasurer.

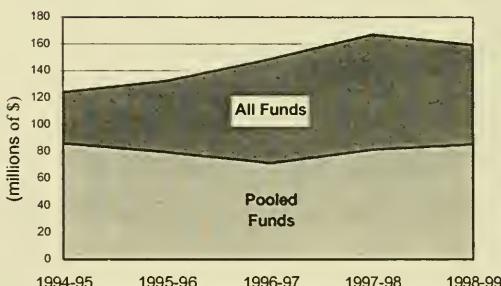
Bond and Coupon Redemption:

The Treasurer, through the Investment Division, is responsible for the payment of the City's general obligation bonds, principal and interest. During FY 98-99, the Treasurer paid \$883,759 in interest and \$7,405,000 in principal on bearer bonds; and \$62,703,028 in interest and \$38,615,000 in principal on book entry bonds.

\$117,760,000 in general obligation bonds were issued in FY 1998-99.

The Investment Division is also responsible for the calculation of arbitrage rebate liability for bond revenue proceeds. Currently, calculations are performed on approximately 40 bond issues. Once the calculations have been performed, the calculation workpapers are forwarded to the Controller's Office for review and verification of any liability due and payment of any liability on the fifth year anniversary date.

Portfolio Performance: Total Net Earnings





VITAL STATISTICS

No. of Staff: 6

- The Legal Section recovered close to \$2 million in this fiscal year from all sources, including but not limited to: abstracts of judgments, payment agreements and filed complaints.
- 23 bankruptcy cases were successfully handled by the section and returned to Bureau of Delinquent Revenue in FY 1998-99, representing over \$750,000 of creditor claims at risk.

The Legal Section is the final enforcement arm for the collection of delinquent accounts under the Tax Collector's jurisdiction. It also responds to legal challenges and prepares the appropriate response when a Tax Collector's lien is under legal attack in a bankruptcy or judicial foreclosure case. Finally, it serves as the legal experts of the

Office of the Treasurer & Tax Collector, advising the staff as needed. The section consists of two Attorneys, two Legal Assistants, and two Legal Secretaries.

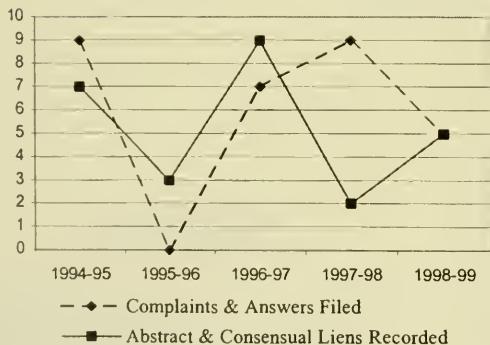
Collection Activities

Most delinquent accounts referred to the Legal Section are tax deficiency assessments from the Business Tax Section. The remainder comes from the Bureau of Delinquent Revenue (BDR), usually involving either bankruptcy cases or claims for hospitalization services in the two county-owned hospitals. Staff reviewed 147 liens before filing by BDR collections officers this year.

Although civil collection suits are a primary means of enforcing payment of delinquent accounts, the unit uses other civil creditor procedures when appropriate. These include: pursuit of creditor claims in bankruptcy estates, decedent estates, and conservatorship estates; and other kinds of liens, including tax liens, in support of voluntary payment agreements negotiated with the debtor.

Legal Section monitored all monthly payment accounts in its inventory and took specific action to bring defaulting debtors into compliance. The Section's priority was to identify those monthly payment cases where the debtor had defaulted and take action to promote compliance. Through Legal Section action, 6 payment agreement cases were fully paid during the year and a court judgment was entered against the remaining defaulting debtor.

LEGAL SECTION ACTIVITY



Litigation Activity

Much of the section's civil litigation efforts focused on collecting delinquent parking taxes on accounts referred by the Business Tax Section after final audit determinations. Four parking tax cases, each with a tax liability of more than one hundred thousand dollars, were successfully concluded.

Legal Section also successfully concluded 23 bankruptcy cases with an aggregate creditor claim amount of \$750,999 during the year and returned each to the BDR Bankruptcy and Escrow Unit with written instructions. Bankruptcy litigation requires not only specialized knowledge of bankruptcy and creditor rights law, but also the ability to respond quickly within the short time limits of bankruptcy procedure.

Legal Advice

Recently, the unit has emphasized its role as the legal advisor on collection-related issues, especially for investigators with the Bureau of Delinquent Revenue. The attorneys also assisted investigators by participating in a series of working meetings with the City Attorney's Office that developed a set of procedures to implement the recently enacted injunction remedy in the revised business tax ordinance.

Legal Section...successfully concluded 23 bankruptcy cases with an aggregate creditor claim of \$750,999 during the year...

Additionally, Legal Section attorneys prepared a set of form letters that investigators can send to recalcitrant business and third-party (hotel and parking) operators to lay the foundation for injunction litigation in the event of continued noncompliance.

Special Project: Case Review

Anticipating its FY 1999-2000 goal, Legal Section began the process of reviewing every judgment of abstract status and either retaining the case in Legal Section (e.g. those cases where the debtor is making regular payments pursuant to a written stipulation); referring the case to BDR-Investigation Section for asset search and post-judgment execution, or abandoning the file as uncollectible. Legal Section inventoried the entire abstract status files prior to the end of the fiscal year; and physically segregated those cases for referral and abandonment during the next reporting period.

PROPERTY TAX & LICENSE DIVISION



VITAL STATISTICS:

No. of Staff: 13

- During Fiscal Year 1998-1999, more than 300,000 tax bills and statements were mailed to taxpayers. The division processed a total of more than 438,000 property tax and license fee payments totaling more than \$811 million in tax revenues, including \$5,367,830 in business license fees.
- Collection of property taxes increased by over \$41.8 million, about 7 percent. The delinquency rate of FY 1998-99 secured property tax collection was 1.35 percent, down from 1.45 percent recorded for the previous fiscal year.
- During FY 1998-99, the Business License Unit processed more than 24,000 business licenses and permits for the Dept. of Public Health, Police Dept., and Fire Dept., as well as dog licenses for the Dept. of Animal Care and Control, totaling over \$5,367,000.

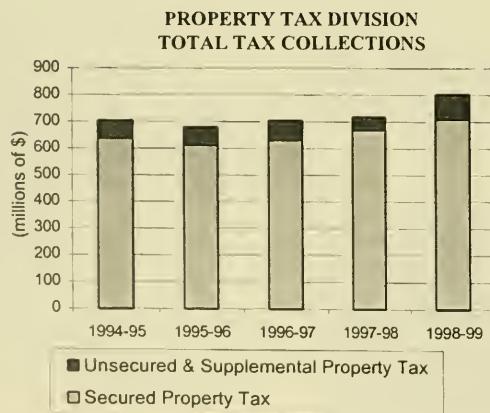
The Property Tax & License Division bills, collects, records, and reports payments of secured and unsecured property taxes and special assessments as well as business license fees and permits. The three major units of this division are Real Estate, Tax Redemption, and Business License.

Real Estate Unit

The Real Estate unit processes tax bills for secured and unsecured taxes and provides resolution of issues involving property tax and business license fees to the public in person, over the telephone, or by correspondence. It also establishes and records four-year installment payment plans for secured and unsecured escaped assessments for all prior fiscal years. Additionally, this unit collects various special assessments on secured property tax bills, including more than 57,000 rent board fees and approximately 28,000 apartment house and hotel license fees. The Real Estate unit is responsible for processing refund requests for overpayments and duplicate payments of property taxes and business license fees.

Tax Redemption Bureau

The Tax Redemption Bureau processes and computes payments of prior years' delinquent secured property taxes. It also



**BUSINESS LICENSE FEES
PROCESSED
FY 1998-99**



maintains complete records on the taxes being paid under five-year installment payment plans.

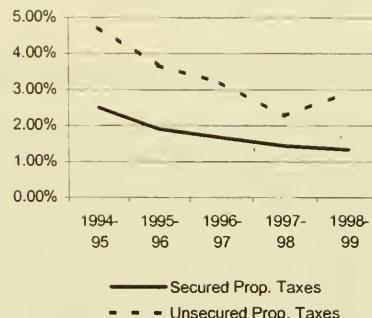
In compliance with State law, each year this unit of the Property Tax Division prepares a list of properties that have become tax-defaulted more than five years and records a "Notice of Power to Sell Tax-Defaulted Property" on each of these properties. The Bureau is responsible for publishing several notices throughout the year in a newspaper of general circulation as required by law. The unit is also obligated by law to attempt to sell tax-defaulted property at either public auction or sealed bid within four years after the property becomes subject to power to sell.

Business License Unit

The Business License Unit bills, collects, records and reports business license fees mandated by the San Francisco Municipal Code, Part III.

The collection of Apartment House License, Hotel License and Rent Board fees continues to be effective and efficient. By consolidating these billings with the Secured Property Tax bill, duplication of effort has been minimized, collections increased, and taxpayer services are enhanced. It eliminates the preparation and mailing of the separate statements that taxpayers received in the past, streamlines the payment process, and reduces the department's cost. As a result, the delinquency rate of Apartment House License, Hotel License and Rent Board fees was less than 2 percent this fiscal year. All business license fees that are delinquent after 90 days are promptly reported to the regulatory departments for collection.

**PROPERTY TAXES
DELINQUENCY RATE**



**PROPERTY TAX
HIGHLIGHTS 1998-99:**

- The division processed 5,742 refund requests for duplicate and overpayments online. The online refund process enables staff to reduce the turnaround time of the issuance of refund checks, increasing the speed, accuracy, and volume.
- Collection of property tax payments by Electronic Fund Transfer (EFT) increased by 26% over a year ago. On the more than 900 transactions of this type, EFT eliminates both the mail and check clearing times, therefore ensuring that funds are actually available to the City on the day that a transaction is initiated.
- The division collected more than 57,000 Rent Stabilization and Arbitration Fees as special assessments on the property tax bill. This method eliminates the preparation and mailing of separate statements, streamlines the payment process, and reduces the department's cost.
- The division developed a Year 2000 contingency plan to minimize the impact of potential disruption in any disaster while maximizing resources available to resume normal operations.

TREASURER SUSAN LEAL

Susan Leal was elected Treasurer of the City and County of San Francisco in November 1997, securing 57.7 percent of the vote in a citywide election. In this position, Ms. Leal serves as the City's banker and investment officer. Her duties as Treasurer also include managing the Tax Collector's Office. As Treasurer, she has spearheaded new initiatives to make City government more responsive to San Franciscans, such as establishing a new website that will allow taxpayers to conduct business with the City online and installing the first audio-enhanced ATM in the nation inside City Hall. She has four priorities for the Treasurer's Office:



1. Seek the best return on the City's investments with the lowest risk.
2. Make investments consistent with San Francisco's socially responsible values.
3. Modernize the Office of the Treasurer and Tax Collector to make it more consumer-friendly.
4. Promote economic development and activity in conjunction with the Mayor's Office.

Susan Leal first joined City government in June 1993 when she was appointed to the Board of Supervisors. She became the first Latina and the first gay or lesbian person of color to serve as a Supervisor. The following year she won a four-year term, receiving over 100,000 votes. While serving on the eleven-member Board, Ms. Leal chaired the Finance Committee, where she was responsible for preparing and balancing the City's \$3.4 billion budget. She also focused on building economic opportunity for residents of the culturally diverse Mission District. While a Supervisor, Ms. Leal led the fight to expand prohibitions on job discrimination based on sexual orientation and co-authored a voter-approved Charter amendment granting domestic partner death benefits to city employees.

Prior to her years in elected office, Ms. Leal served as Counsel to the U.S. House Energy and Commerce Committee's Subcommittee on Oversight and Investigations. In this capacity she directed numerous drug safety and consumer protection investigations of the Food and Drug Administration. Ms. Leal also worked closely with then-Congressman Al Gore to uncover fraud and waste in public and private health care. In 1982 she returned to California as Senior Consultant to the State Assembly's Committee on Ways and Means, where she was responsible for drafting the State Assembly's health budget. In 1984 Ms. Leal became vice president of a nationally recognized company that assists corporations and unions throughout the U.S. in health care management.

A San Francisco native, Ms. Leal graduated from Presentation High School in 1967 and the University of California at Berkeley in 1971, where she earned an Economics degree. She received her law degree from U.C. Berkeley's Boalt Hall in 1975.

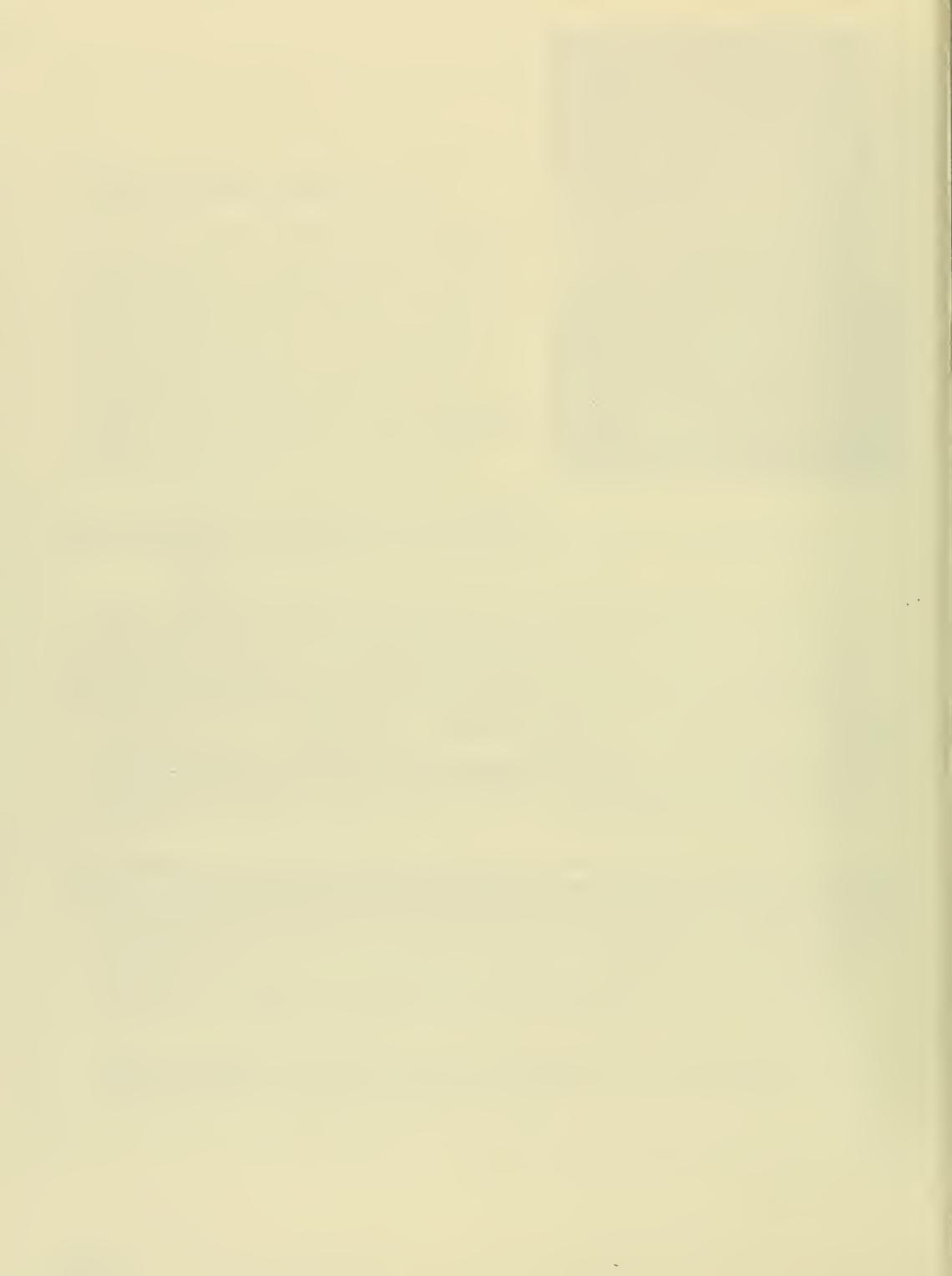


Richard A. Sullivan, Tax Collector

Mr. Sullivan, who has lived in California for over 50 years, was appointed Tax Collector by Treasurer Mary I. Callanan in 1994. Prior to that, he was Deputy Tax Administrator for 19 years and has held numerous accounting and auditing positions with the City and County of San Francisco. He started his 40-year career in City service in the Controller's Office in 1958 as a Junior Clerk. He holds a B.A. in Accounting from San Francisco State University and a Master of Public Administration degree from Golden Gate University.

The Tax Collection Division receives and deposits all monies for taxes, licenses, and other fees due the City and County of San Francisco. It also provides the collection of delinquent accounts for other city departments.

Mr. Sullivan continues a vigorous campaign to restructure the Tax Collection Division in order to do more with less and to establish a more "user-friendly" atmosphere for San Francisco's taxpayers. He plans to retire from the Treasurer & Tax Collector's Office in the beginning of 2000. The City and County of San Francisco is grateful to him for his many years of distinguished service.



SENIOR STAFF
Office of the Treasurer & Tax Collector
(as of 6/30/99)

TREASURER
TAX COLLECTOR

Susan Leal
Richard A. Sullivan

Chief Assistant Treasurer	David Tseng
Deputy Tax Administrator	Willie H. Ross
Chief Investment Officer	Daniel P. Daly
Special Assistant to the Tax Collector	William Quong
Special Assistant to the Treasurer	Minda Ballete
Special Assistant to the Treasurer	Jay Banfield
Special Assistant to the Treasurer	Deborah Dubin

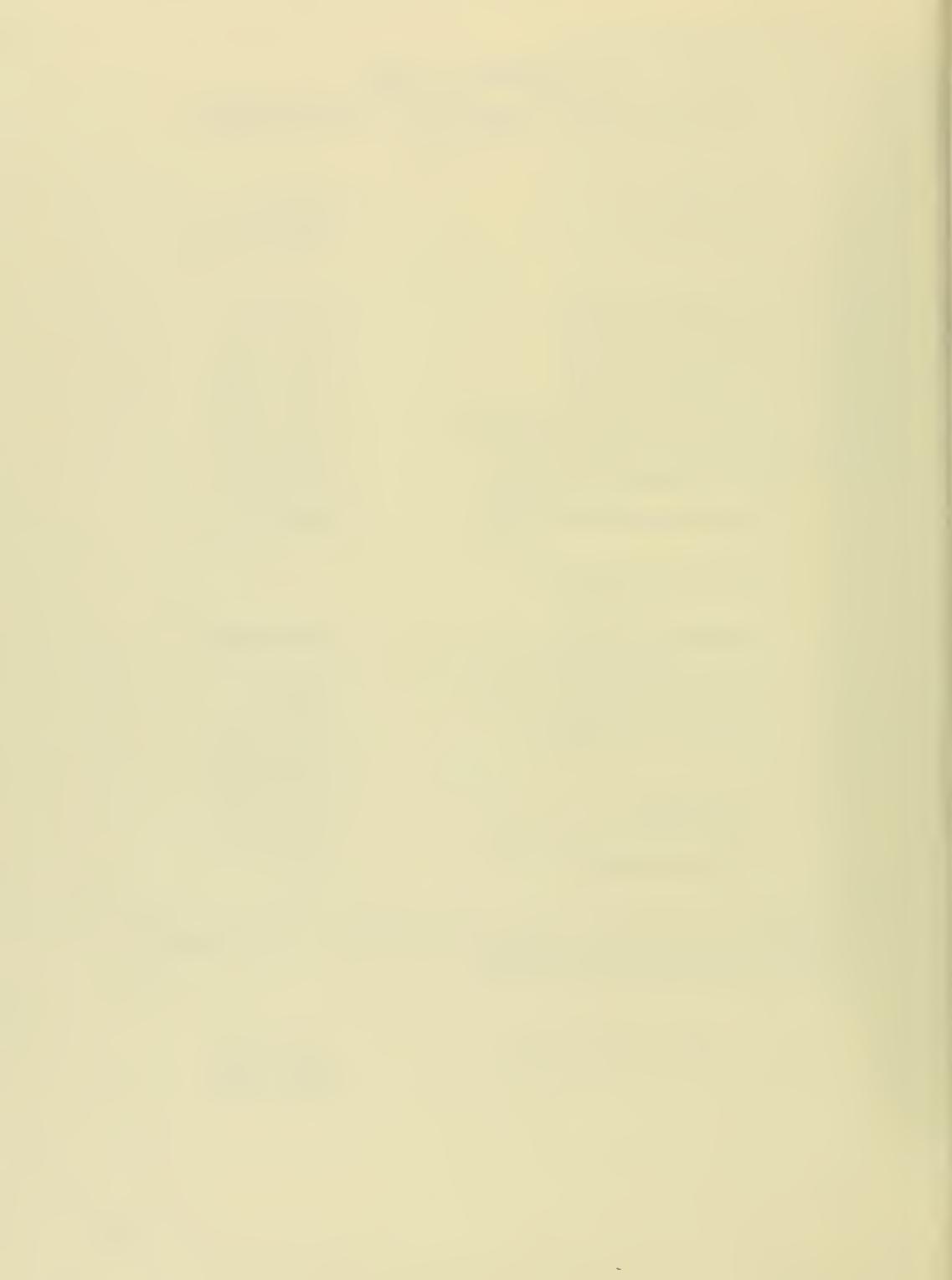
SECTION SUPERVISORS

Administration Section	Gail Hemenway
Bureau of Delinquent Revenue	Florence Mar
Business Tax Section	Patrick Sha
Cashiering & Accounting	Sonia Martinez Charles Huff
Legal Section	Robert Fletcher
Property Tax & License Section	Francis Nguyen
Taxpayer Assistance	Anita Jin

Many thanks to everyone on this list for their submissions. Special appreciation goes to Deb Dubin and Gail Hemenway.

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Jason Weiner
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CONTACT US

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Mailing Address:

P.O. Box 7425
San Francisco, CA 94102

Treasurer

Phone: (415) 554-4478
Fax: (415) 554-4672

Tax Collector

Phone: (415) 554-4468
Fax: (415) 554-7121

TAXPAYER ASSISTANCE: (415) 554-4400

Website: <http://www.sfgov.org/tax/>

E-mail: treasurer_taxcollector@ci.sf.ca.us

Other Important Numbers:

Assessment Appeals Board: (415) 554-6778

Office of the Assessor/Recorder:

Assessor Division (415) 554-5421

Recorder Division (415) 554-4176

Office of the Controller: (415) 554-7500

County Clerk: (415) 554-4950

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